



**UTHUKELA**

**UMKHANDLU WESIFUNDA  
DISTRIKSMUNISIPALITEIT  
DISTRICT MUNICIPALITY**

Uthukela District Municipality  
Unaudited Annual financial statements  
for the year ended June 30, 2017

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## General Information

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<b>Legal form of entity</b>	District Municipality
<b>Nature of business and principal activities</b>	The main business operations of the municipality is to engage in Local Government activities, which includes planning and promotion of integrated development planning, economic, social and environmental development and supplying of the following services to the community: the supply of water and sanitation services, as well as infrastructure development. Water is obtained from the Department of Water Affairs and distributed to the consumers by the municipality.
<b>Municipal Demarcation Code</b>	DC23
<b>Executive Committee</b>	
Mayor	Cllr A.S. Mazibuko Cllr N.W. Sibiya (Deputy Mayor) Cllr M.V. Khumalo Cllr S.V. Shabalala Cllr T.P. Shabalala Cllr S.A. Mvelase
Councillors	Cllr D.C.P. Mazibuko (Speaker) Cllr G. Ndaba Cllr S.Z. Khumalo Cllr G.S. Mdluli Cllr Z. Msobomvu Cllr N.M. Hadebe Cllr N.K. P. Mbongwa Cllr B.S. Dladla Cllr E.S. Ndumo Cllr S.E. Mbongwa Cllr M.C. Mkhize Cllr E.M. Majola Cllr G.E. Mbhele Cllr MR. Suddaby Cllr M.N. Mlotshwa Cllr M.B. Mbhele Cllr N.L. Zikalala Cllr S.B. Dlungwane Cllr S.Z.P. Msibi Cllr T.B. Njapha Cllr M.M. Khoza Cllr T.P. Dlamini Cllr X.F. Mhlongo Cllr S.M. Buthelezi Cllr P.A.M. Mfuphi Cllr M.H. Msimanga
<b>Grading of local authority</b>	Grade 4 Medium capacity
<b>Accounting Officer (MM)</b>	S.N. Kunene
<b>Chief Financial Officer (CFO)</b>	Ms. P.H.Z. Kubheka
<b>Registered office</b>	33 Forbes Street

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## General Information

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	Ladysmith Tel: 036-6385100 Fax: 036-6385126 municipalmanager@uthukeladm.co.za
<b>Postal address</b>	PO Box 116 Ladysmith Kwazulu Natal 3370
<b>Bankers</b>	First National Bank Nedbank Investec ABSA
<b>Auditors</b>	Auditor General - South Africa
<b>Attorneys</b>	Ramkhelewan Incorporated Shepstone & Wylie

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

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The reports and statements set out below comprise the unaudited annual financial statements presented to the provincial legislature:

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
CIGFARO	Chartered Institute of Government Finance Audit & Risk Officers

# **Uthukela District Municipality**

Unaudited Annual Financial Statements for the year ended June 30, 2017

## **Accounting Officer's Responsibilities and Approval**

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The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the unaudited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the unaudited annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the unaudited annual financial statements and were given unrestricted access to all financial records and related data.

The unaudited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The unaudited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the unaudited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to June 30, 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Accounting Officer certifies that the salaries, allowances and benefits of Councillors as disclosed in note 28 of these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with Remuneration of Public Office Bearers Act and Minister of Provincial and Local Government's determination in accordance with this act .

The Municipality is wholly dependent on the Equitable share and revenue from water sales for continued funding of operations. The unaudited annual financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the Municipality. (refer to note 45 for further disclosure on going concern).

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's Internal Auditors.

The unaudited annual financial statements set out on page 1 to 90, which have been prepared on the going concern basis, were approved by the Accounting Officer on August 31, 2017 and were signed on its behalf by:

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**S.N. Kunene**  
**Accounting Officer**

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Statement of Financial Position as at June 30, 2017

		2017	2016 Restated*
	Note(s)		
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	9	5,925,957	5,546,962
Receivables from exchange transactions	10	4,523,432	4,398,513
Receivables from non-exchange transactions	11	6,701,724	6,024,781
Prepayments	8	-	139,624
Consumer debtors	12	155,845,431	143,673,170
Cash and cash equivalents	13	5,997,885	36,715,409
		<b>178,994,429</b>	<b>196,498,459</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	4	2,287,079,554	2,137,027,689
Intangible assets	5	587,965	653,374
		<b>2,287,667,519</b>	<b>2,137,681,063</b>
<b>Total Assets</b>		<b>2,466,661,948</b>	<b>2,334,179,522</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Operating lease liability	6	134,263	378,853
Payables from exchange transactions	19	92,577,912	114,527,839
Other accruals "Provisions"	20	18,941,603	18,395,137
Consumer deposits	21	13,581,655	11,885,907
Employee benefit obligation	7	991,102	878,943
Unspent conditional grants and receipts	15	69,711,254	16,155,732
VAT payable	17	64,659,820	30,651,340
Purchase of office building	18	-	6,210,601
Other liability "Advance receipts - transfers"	51	8,602,484	8,602,484
		<b>269,200,093</b>	<b>207,686,836</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	7	28,135,528	26,438,620
<b>Total Liabilities</b>		<b>297,335,621</b>	<b>234,125,456</b>
<b>Net Assets</b>		<b>2,169,326,327</b>	<b>2,100,054,066</b>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Statement of Financial Performance

		2017	2016 Restated*
	Note(s)		
<b>Revenue</b>			
Service charges	23	155,820,514	153,121,673
Interest received - trading services	22	38,545,914	20,214,647
Other income	22&24	5,228,381	3,496,813
Interest received - investment	22	7,189,148	11,991,453
Government grants & subsidies	22&26	621,619,784	568,331,256
Public contributions and donations	22	20,000	70,000
<b>Total revenue</b>		<b>828,423,741</b>	<b>757,225,842</b>
<b>Expenditure</b>			
Employee related costs	27	(218,649,140)	(199,309,646)
Remuneration of councillors	28	(5,482,999)	(6,381,097)
Depreciation and amortisation	29	(62,535,117)	(49,197,065)
Impairment loss	4	(10,807,571)	-
Finance costs	30	(2,554,911)	(1,125,317)
Lease rentals on operating lease	36	(9,900,090)	(740,575)
Debt Impairment provision	31	(94,881,113)	(57,975,475)
Bad debt written off	47	(32,257,350)	(34,811,417)
Bulk purchases	32	(8,061,187)	(7,698,102)
Contracted services	33	(95,583,748)	(68,609,084)
General Expenses	34	(217,262,494)	(253,396,391)
<b>Total expenditure</b>		<b>(757,975,720)</b>	<b>(679,244,169)</b>
<b>Operating surplus</b>		<b>70,448,021</b>	<b>77,981,673</b>
Gain (Loss) on write off of assets	4	(5,204,839)	(1,231,708)
Inventories losses/write-downs		(828,880)	(344,075)
Gain (loss) on actuarial valuations	7	2,363,782	(12,280,604)
		<b>(3,669,937)</b>	<b>(13,856,387)</b>
<b>Surplus for the year</b>		<b>66,778,084</b>	<b>64,125,286</b>

## Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

### Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
<b>Balance at July 1, 2015</b>	<b>2,035,928,780</b>	<b>2,035,928,780</b>
Changes in net assets		
Restated surplus for the year	64,125,286	64,125,286
Total changes	64,125,286	64,125,286
Opening balance restated	2,100,054,066	2,100,054,066
<b>Restated* Balance at July 1, 2016 as restated*</b>	<b>2,100,054,066</b>	<b>2,100,054,066</b>
Changes in net assets		
Surplus for the year ending 30 June 2017	66,778,084	66,778,084
Movement in accumulated surplus account	2,494,177	2,494,177
Total changes	69,272,261	69,272,261
<b>Balance at 30 June 2017</b>	<b>2,169,326,327</b>	<b>2,169,326,327</b>



# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Cash Flow Statement

		2017	2016 Restated*
	Note(s)		
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Service charges		206,803,957	168,422,790
Grants		621,619,784	568,331,256
Interest income		7,189,148	11,991,453
		<u>835,612,889</u>	<u>748,745,499</u>
<b>Payments</b>			
Employee and councillor costs		(224,090,123)	(205,690,743)
Suppliers and others		(400,229,536)	(481,030,593)
Finance costs		(2,554,911)	(1,125,317)
		<u>(626,874,570)</u>	<u>(687,846,653)</u>
<b>Net cash flows from operating activities</b>	37	<u><b>208,738,319</b></u>	<u><b>60,898,846</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(240,907,001)	(178,443,140)
Purchase of other intangible assets	5	-	(543,600)
Proceeds from sale of other intangible assets	5	-	(43,543)
<b>Net cash flows from investing activities</b>		<u><b>(240,907,001)</b></u>	<u><b>(179,030,283)</b></u>
<b>Cash flows from financing activities</b>			
Nett increase in other liability (Consumer Deposits)		1,695,748	1,412,058
Movement in other liabilities		-	8,602,484
Increase / (decrease) in finance lease liability		(244,590)	(255,271)
<b>Net cash flows from financing activities</b>		<u><b>1,451,158</b></u>	<u><b>9,759,271</b></u>
<b>Net increase in cash and cash equivalents</b>		<u><b>(30,717,524)</b></u>	<u><b>(108,372,166)</b></u>
Cash and cash equivalents at the beginning of the year		36,715,409	145,087,575
<b>Cash and cash equivalents at the end of the year</b>	13	<u><b>5,997,885</b></u>	<u><b>36,715,409</b></u>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	176,929,000	71,724,000	<b>248,653,000</b>	155,820,514	<b>(92,832,486)</b>	Note 1
Interest received	28,321,000	10,000,000	<b>38,321,000</b>	38,545,914	<b>224,914</b>	Note 2
Other income	1,914,000	1,481,000	<b>3,395,000</b>	5,228,381	<b>1,833,381</b>	Note 3
Interest received - investment	10,671,000	(3,000,000)	<b>7,671,000</b>	7,189,148	<b>(481,852)</b>	Note 4
<b>Total revenue from exchange transactions</b>	<b>217,835,000</b>	<b>80,205,000</b>	<b>298,040,000</b>	<b>206,783,957</b>	<b>(91,256,043)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Government grants-Transfers recognised (Operational)	338,199,000	1,154,000	<b>339,353,000</b>	347,535,111	<b>8,182,111</b>	Note 5
<b>Transfer revenue</b>						
Government grants-Transfers recognised (Opapital)	262,691,000	64,000,000	<b>326,691,000</b>	274,084,673	<b>(52,606,327)</b>	Note 6
Public contributions and donations	-	-	-	20,000	<b>20,000</b>	Note 7
<b>Total revenue from non-exchange transactions</b>	<b>600,890,000</b>	<b>65,154,000</b>	<b>666,044,000</b>	<b>621,639,784</b>	<b>(44,404,216)</b>	
<b>Total revenue</b>	<b>818,725,000</b>	<b>145,359,000</b>	<b>964,084,000</b>	<b>828,423,741</b>	<b>(135,660,259)</b>	
<b>Expenditure</b>						
Personnel	(195,150,000)	(29,331,000)	<b>(224,481,000)</b>	(218,649,140)	<b>5,831,860</b>	Note 8
Remuneration of councillors	(6,552,000)	-	<b>(6,552,000)</b>	(5,482,999)	<b>1,069,001</b>	Note 9
Depreciation and amortisation	(57,676,000)	-	<b>(57,676,000)</b>	(62,535,117)	<b>(4,859,117)</b>	Note 10
Reversal of impairments	-	-	-	(10,807,571)	<b>(10,807,571)</b>	Note 11
Finance costs	-	-	-	(2,554,911)	<b>(2,554,911)</b>	Note 12
Lease rentals on operating lease	-	-	-	(9,900,090)	<b>(9,900,090)</b>	Note 13
Bad debt provision	(36,460,000)	(35,340,000)	<b>(71,800,000)</b>	(94,881,113)	<b>(23,081,113)</b>	Note 14
Bad debts written off	-	-	-	(32,257,350)	<b>(32,257,350)</b>	Note 15
Repairs and maintenance	-	-	-	-	-	Note 16
Bulk purchases	(5,901,000)	-	<b>(5,901,000)</b>	(8,061,187)	<b>(2,160,187)</b>	Note 17
Contracted Services	(37,412,000)	(9,362,000)	<b>(46,774,000)</b>	(95,583,748)	<b>(48,809,748)</b>	Note 18
Government Grant Expenditure	(10,512,000)	(14,488,000)	<b>(25,000,000)</b>	-	<b>25,000,000</b>	Note 19
General Expenses	(198,694,000)	45,320,000	<b>(153,374,000)</b>	(217,262,494)	<b>(63,888,494)</b>	Note 20
<b>Total expenditure</b>	<b>(548,357,000)</b>	<b>(43,201,000)</b>	<b>(591,558,000)</b>	<b>(757,975,720)</b>	<b>(166,417,720)</b>	
<b>Operating surplus</b>	<b>270,368,000</b>	<b>102,158,000</b>	<b>372,526,000</b>	<b>70,448,021</b>	<b>(302,077,979)</b>	
Loss on disposal of assets and liabilities	-	-	-	(5,204,839)	<b>(5,204,839)</b>	Note 21
Inventories losses/write-downs	-	-	-	(828,880)	<b>(828,880)</b>	Note 22
Gain on non-current assets held for sale or disposal groups	-	-	-	2,363,782	<b>2,363,782</b>	Note 23
	-	-	-	<b>(3,669,937)</b>	<b>(3,669,937)</b>	

## Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Surplus before taxation</b>	<b>270,368,000</b>	<b>102,158,000</b>	<b>372,526,000</b>	<b>66,778,084</b>	<b>(305,747,916)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>270,368,000</b>	<b>102,158,000</b>	<b>372,526,000</b>	<b>66,778,084</b>	<b>(305,747,916)</b>	

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	5,217,000	-	<b>5,217,000</b>	5,925,957	<b>708,957</b>	Note 24
Receivables from exchange transactions	-	-	-	4,523,432	<b>4,523,432</b>	Note 25
Receivables from non-exchange transactions	556,000	-	<b>556,000</b>	6,701,724	<b>6,145,724</b>	Note 26
Consumer debtors from exchange transactions	196,900,000	(17,401,000)	<b>179,499,000</b>	155,845,431	<b>(23,653,569)</b>	Note 27
Cash and cash equivalents	59,178,000	(37,349,000)	<b>21,829,000</b>	5,997,885	<b>(15,831,115)</b>	Note 28
	<b>261,851,000</b>	<b>(54,750,000)</b>	<b>207,101,000</b>	<b>178,994,429</b>	<b>(28,106,571)</b>	
<b>Non-Current Assets</b>						
Property, plant and equipment	2,194,817,000	64,000,000	<b>2,258,817,000</b>	2,287,079,554	<b>28,262,554</b>	Note 29
Intangible assets	238,000	-	<b>238,000</b>	587,965	<b>349,965</b>	Note 30
	<b>2,195,055,000</b>	<b>64,000,000</b>	<b>2,259,055,000</b>	<b>2,287,667,519</b>	<b>28,612,519</b>	
<b>Total Assets</b>	<b>2,456,906,000</b>	<b>9,250,000</b>	<b>2,466,156,000</b>	<b>2,466,661,948</b>	<b>505,948</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Operating lease liability	-	-	-	134,263	<b>134,263</b>	Note 31
Payables from exchange transactions	98,814,000	(76,969,000)	<b>21,845,000</b>	92,577,912	<b>70,732,912</b>	Note 32
Other accruals "Provisions"	-	14,792,000	<b>14,792,000</b>	18,941,603	<b>4,149,603</b>	Note 33
Consumer deposits	11,267,000	1,716,000	<b>12,983,000</b>	13,581,655	<b>598,655</b>	Note 34
Employee benefit obligation	-	-	-	991,102	<b>991,102</b>	Note 35
Unspent conditional grants and receipts	-	-	-	69,711,254	<b>69,711,254</b>	Note 36
Provisions	14,792,000	(14,792,000)	-	-	-	Note 37
Other liabilities (VAT payable)	-	-	-	64,659,820	<b>64,659,820</b>	Note 38
Other liability	14,027,000	(14,027,000)	-	8,602,484	<b>8,602,484</b>	Note 39
	<b>138,900,000</b>	<b>(89,280,000)</b>	<b>49,620,000</b>	<b>269,200,093</b>	<b>219,580,093</b>	
<b>Non-Current Liabilities</b>						
Provisions (Retirement benefit obligation)	-	-	-	28,135,528	<b>28,135,528</b>	Note 40
<b>Total Liabilities</b>	<b>138,900,000</b>	<b>(89,280,000)</b>	<b>49,620,000</b>	<b>297,335,621</b>	<b>247,715,621</b>	
<b>Net Assets</b>	<b>2,318,006,000</b>	<b>98,530,000</b>	<b>2,416,536,000</b>	<b>2,169,326,327</b>	<b>(247,209,673)</b>	
<b>Net Assets</b>						
<b>Net Assets of controlling entity</b>						
Accumulated surplus	2,318,006,000	98,530,000	<b>2,416,536,000</b>	2,169,326,327	<b>(247,209,673)</b>	

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Sale of goods and services	88,641,000	10,251,000	<b>98,892,000</b>	194,053,251	<b>95,161,251</b>	
Grants	600,890,000	64,509,000	<b>665,399,000</b>	621,619,784	<b>(43,779,216)</b>	
Other receipts	1,914,000	1,481,000	<b>3,395,000</b>	-	<b>(3,395,000)</b>	
Interest income	12,571,000	(4,900,000)	<b>7,671,000</b>	7,189,148	<b>(481,852)</b>	
	<b>704,016,000</b>	<b>71,341,000</b>	<b>775,357,000</b>	<b>822,862,183</b>	<b>47,505,183</b>	
<b>Payments</b>						
Employee costs	(201,701,000)	(18,374,000)	<b>(220,075,000)</b>	(224,090,123)	<b>(4,015,123)</b>	
Suppliers and other	(242,007,000)	-	<b>(242,007,000)</b>	(387,478,830)	<b>(145,471,830)</b>	
Finance costs	-	-	-	(2,554,911)	<b>(2,554,911)</b>	
	<b>(443,708,000)</b>	<b>(18,374,000)</b>	<b>(462,082,000)</b>	<b>(614,123,864)</b>	<b>(152,041,864)</b>	
<b>Net cash flows from operating activities</b>	<b>260,308,000</b>	<b>52,967,000</b>	<b>313,275,000</b>	<b>208,738,319</b>	<b>(104,536,681)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(265,244,000)	(64,000,000)	<b>(329,244,000)</b>	(240,907,001)	<b>88,336,999</b>	
<b>Cash flows from financing activities</b>						
Movement in other liability (consumer deposits)	380,000	704,000	<b>1,084,000</b>	1,695,748	<b>611,748</b>	
Finance lease payments	-	-	-	(244,590)	<b>(244,590)</b>	
<b>Net cash flows from financing activities</b>	<b>380,000</b>	<b>704,000</b>	<b>1,084,000</b>	<b>1,451,158</b>	<b>367,158</b>	
Net increase/(decrease) in cash and cash equivalents	(4,556,000)	(10,329,000)	<b>(14,885,000)</b>	(30,717,524)	<b>(15,832,524)</b>	
Cash and cash equivalents at the beginning of the year	63,735,000	(27,021,000)	<b>36,714,000</b>	36,715,409	<b>1,409</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>59,179,000</b>	<b>(37,350,000)</b>	<b>21,829,000</b>	<b>5,997,885</b>	<b>(15,831,115)</b>	
<b>Reconciliation</b>						

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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### References to statement of comparison of budget and actual amounts

#### Statement of financial performance.

**Note 1** - "Service Charges" - Council did not achieve its targets with regards to the budget on collection of service charges and has developed and implemented a revenue enhancement strategy to improve on the completeness of debtors and revenue collection. Field workers have been appointed to identify faulty meters which needs to be replaced and this exercise will continue into the 2017/2018 financial year. Consultants have been appointed whom have identified meters where no readings have taken and meters which have been estimated over a period of time. COGTA has also assigned a consultant to the Municipality to identify weaknesses in the revenue section. An action plan has been drafted to address these weaknesses and was adopted by Management and COGTA. The action plan is being monitored by the consultant to report on progress made.

**Note 2** - "Interest received" - Interest on service charges has escalated due to the poor collection rate.

**Note 3** - "Other income" - Income has possibly been under budgeted for. Budget was not realistic as it was based on previous trends.

**Note 4** - "Interest received on investments" - Due to a negative cashflow situation during the year the Municipality had to disinvest surplus funds therefore a decrease in interest on investments.

**Note 5** - "Government grants (transfers recognized - operational)" the municipality received more grant funding than was anticipated.

**Note 6** - "Government grants (transfers recognized - capital)" - the municipality has strived to achieve 100% expenditure on capital grants which includes roll over amounts from the 2015/2016 financial year, however due to slow spending on the Regional Bulk Infrastructure grant (RBIG) this could not be achieved. Application has been made for a roll over as the funds have been committed for the 2017/2018 financial year.

**Note 7** - "Public contributions and donations" - the municipality received a donation from First National Bank in respect of sport events hosted during the year.

**Note 8** - "Employee related costs" - This saving is as a result of vacant positions which were not filled during the year as per the approved organogram, high overtime and standby claims remains a challenge.

**Note 9** - "Remuneration of Councillors" - provision was made in the budget for Councillors to receive backpay during the financial year in terms of the Government Gazette for Councillors upper limits dated December 2016. It was over provided for.

**Note 10** - "Depreciation and amortization" - Provision was made in the budget for the 2016/2017 financial year for the additional assets the Municipality purchased during the year.

**Note 11** - "Reversal of impairments" - PPE was impaired during the 2016/2017 financial year. This was not budgeted for.

**Note 12** - "Finance costs" - The finance costs "interest charged" with regards to the post-retirement medical aid and long service awards were not budgeted for.

**Note 13** - "Lease rentals on operating leases" - This is a new line item in the statement of financial performance and was budgeted for under general expenditure. Going forward this will be budgeted for accordingly.

**Note 14** - "Provision for bad debt" - Collection of outstanding debt remains a challenge and with the increase in total outstanding debtors which were not anticipated the provision far exceeds the amount budgeted for.

**Note 15** - "Bad debt written off" - The municipality has implemented its Indigent policy and Indigent debt has been written off. This was not anticipated when the budget was compiled.

**Note 16** - "Repairs and maintenance" - This is included under general expenditure in terms of GRAP 1 "Presentation of financial statements". Maintenance and repairs is now disclosed under note 4 "PPE" of the financial statements.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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**Note 17** - "Bulk purchases" - This represents the bulk water purchased from the Department of Water (DWA) and payments are made on actual invoices received.

**Note 18** - "Contracted services" - The municipality bought its own water tankers however with the drought was forced to hire additional water tankers to be able to supply water to areas which have been affected. This was not anticipated and the Municipality did not accurately budget for the additional water tankers required.

**Note 19** - "Government Grant expenditure" - Government Grants are no longer disclosed as a separate line item in the statement of financial performance. These expenditure is included in other line items according to the nature of the expenditure.

**Note 20** - "General expenditure" - The Municipality did not manage to stay within the amount budgeted for and over expenditure is recorded as unauthorized expenditure and disclosed in the notes.

**Note 21** - "Loss on disposal of assets and liabilities" - This was not budgeted for.

**Note 22** - "Inventory losses/write-downs" - This was not budgeted for.

**Note 23** - "Gain on no-current assets held for sale" - This was not budgeted for.

### Statement of financial position.

**Note 24** - "Inventories" - Inventory items are no longer kept at the water and sewerage treatment plants and all items required must be obtained from the stores. The value of the stock levels at the stores has increased. The ageing infrastructure impacts on material kept at the stores.

**Note 25** - "Receivables from exchange transactions" - More consumers were anticipated to open water accounts as developments are expanding all over the district.

**Note 26** - "Receivables from non-exchange transactions" - Mainly due to salary fraud. This was not budgeted for.

**Note 27** - "Consumer debtors from exchange transactions" - When the budget was prepared the poor collection rate was not accurately anticipated and the provision for bad debt was not accurately taken into account.

**Note 28** - "cash and cash equivalents" - Was not accurately budgeted for as the budget was based on the prior years performance.

**Note 29** - "Property Plant & Equipment" - The variance between the budget and actual amount is due to the capitalization and asset impairment which were not accurately budgeted for.

**Note 30** - "Intangible assets" - The variance is as a result of the purchase of new computer software from Munsoft CC in respect of mSCOA.

**Note 31** - "Operating lease liability" - The liability is in respect of operating leases and this is not budgeted for.

**Note 32** - "Payables from exchange transactions" - Consists of Trust Funds, DWA accrual in respect of raw water purchases and the increase in retentions on capital project expenditure.

**Note 33** - "Other accruals" - Consists of leave pay and bonus accruals which were not budgeted for.

**Note 34** - "Consumer deposits" - The variance is as a result of the increase in deposits due to non payment of outstanding debt as well as new connections.

**Note 35** - "Employee benefit obligation" - This is in respect of post retirement medical aid and long service awards which were not budgeted for.

## Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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**Note 36** - "Unspent conditional grants and receipts" - Represents the unspent liability as at 30 June 2017 not accurately budgeted for.

**Note 37** - "Provisions" - Provided for under other accruals - was not accurately budgeted for.

**Note 38** - "Other liabilities VAT payable" - Represents VAT payable and was not budgeted for. The Municipality is registered with SARS on a payment bases and therefore VAT is only paid over to SARS once it has been received from the consumers.

**Note 39** - "Other liabilities - borrowings" - The Municipality did not take up any external loans.

**Note 40** - "Provision for retirement benefit obligation" - Is the medical aid and long service award obligation as at 30 June 2017.



# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2017</b>											
<b>Financial Performance</b>											
Service charges	176,929,000	71,723,000	248,652,000	-		248,652,000	155,820,514		(92,831,486)	63 %	88 %
Investment revenue	10,671,000	(3,000,000)	7,671,000	-		7,671,000	7,189,148		(481,852)	94 %	67 %
Transfers recognised - operational	338,199,000	1,154,000	339,353,000	-		339,353,000	347,535,111		8,182,111	102 %	103 %
Other own revenue	30,235,000	11,482,000	41,717,000	-		41,717,000	43,794,295		2,077,295	105 %	145 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>556,034,000</b>	<b>81,359,000</b>	<b>637,393,000</b>	<b>-</b>		<b>637,393,000</b>	<b>554,339,068</b>		<b>(83,053,932)</b>	<b>87 %</b>	<b>100 %</b>
Employee costs	(195,149,000)	(29,331,000)	(224,480,000)	-	-	(224,480,000)	(218,649,140)	-	5,830,860	97 %	112 %
Remuneration of councillors	(6,552,000)	-	(6,552,000)	-	-	(6,552,000)	(5,482,999)	-	1,069,001	84 %	84 %
Debt impairment	(36,460,000)	(35,340,000)	(71,800,000)			(71,800,000)	(94,881,113)	-	(23,081,113)	132 %	260 %
Depreciation and asset impairment	(57,676,000)	-	(57,676,000)			(57,676,000)	(62,535,117)	-	(4,859,117)	108 %	108 %
Finance charges	-	-	-	-	-	-	(2,554,911)	-	(2,554,911)	DIV/0 %	DIV/0 %
Materials and bulk purchases	(5,900,000)	-	(5,900,000)	-	-	(5,900,000)	(8,061,187)	-	(2,161,187)	137 %	137 %
Transfers and grants	(10,512,000)	(14,488,000)	(25,000,000)	-	-	(25,000,000)	-	-	25,000,000	- %	- %
Other expenditure	(236,107,000)	35,958,000	(200,149,000)	-	-	(200,149,000)	(365,811,253)	-	(165,662,253)	183 %	155 %
<b>Total expenditure</b>	<b>(548,356,000)</b>	<b>(43,201,000)</b>	<b>(591,557,000)</b>	<b>-</b>	<b>-</b>	<b>(591,557,000)</b>	<b>(757,975,720)</b>	<b>-</b>	<b>(166,418,720)</b>	<b>128 %</b>	<b>138 %</b>
<b>Surplus/(Deficit)</b>	<b>7,678,000</b>	<b>38,158,000</b>	<b>45,836,000</b>	<b>-</b>		<b>45,836,000</b>	<b>(203,636,652)</b>		<b>(249,472,652)</b>	<b>(444)%</b>	<b>(2,652)%</b>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	262,690,000	64,000,000	326,690,000	-		326,690,000	274,084,673		(52,605,327)	84 %	104 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>270,368,000</b>	<b>102,158,000</b>	<b>372,526,000</b>	<b>-</b>		<b>372,526,000</b>	<b>70,448,021</b>		<b>(302,077,979)</b>	<b>19 %</b>	<b>26 %</b>
Gain (Loss) on actuarial valuations	-	-	-	-		-	(2,363,782)		(2,363,782)	DIV/0 %	DIV/0 %
Gain / Loss on disposal of assets	-	-	-	-		-	5,204,839		5,204,839	DIV/0 %	DIV/0 %
Inventories losses/write-downs	-	-	-	-		-	828,880		828,880	DIV/0 %	DIV/0 %
<b>Surplus/(Deficit) for the year</b>	<b>270,368,000</b>	<b>102,158,000</b>	<b>372,526,000</b>	<b>-</b>		<b>372,526,000</b>	<b>66,778,084</b>		<b>(305,747,916)</b>	<b>18 %</b>	<b>25 %</b>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Appropriation Statement

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>2016</b>				
<b>Financial Performance</b>				
Service charges				153,121,673
Investment revenue				11,991,453
Transfers recognised - operational				322,989,343
Other own revenue				23,711,460
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>511,813,929</b>
Employee costs	20,729,772	-	20,729,772	(199,309,646)
Remuneration of councillors	(235,097)	-	(235,097)	(6,381,097)
Debt impairment	(29,753,475)	-	(29,753,475)	(57,975,475)
Depreciation and asset impairment	2,232,935	-	2,232,935	(49,197,065)
Finance charges	(1,125,317)	-	(1,125,317)	(1,125,317)
Materials and bulk purchases	(2,155,917)	-	(2,155,917)	(7,698,102)
Other expenditure	(87,737,411)	-	(87,737,411)	(371,413,854)
<b>Total expenditure</b>	<b>(98,044,510)</b>	-	<b>(98,044,510)</b>	<b>(693,100,556)</b>
<b>Surplus/(Deficit)</b>				<b>(181,286,627)</b>
Transfers recognised - capital				245,341,913
Contributions recognised - capital and contributed assets				70,000
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>64,125,286</b>
<b>Surplus/(Deficit) for the year</b>				<b>64,125,286</b>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

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### 1. Presentation of Unaudited Annual Financial Statements

The unaudited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These unaudited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these unaudited annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These unaudited annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Significant judgements and sources of estimation uncertainty

In preparing the unaudited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the unaudited annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the unaudited annual financial statements. "Significant judgement and sources of measurement uncertainty" on assumptions used

#### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

#### 1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

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### 1.3 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

### 1.3 Property, plant and equipment (continued)

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Infinite
Buildings	Straight line	30 Years
Plant and machinery	Straight line	5 Years
Furniture and fixtures	Straight line	7 years
Motor vehicles	Straight line	5 Years
Office equipment	Straight line	3-5 Years
IT equipment	Straight line	3 Years
Computer software	Straight line	3 years
Pumps	Straight line	15 Years
Reservoirs and tanks	Straight line	50 Years
Chemical tanks	Straight line	50 Years
Reinforced concrete clatifiers	Straight line	50 Years
Transformer high voltage	Straight line	50 Years
Transformer medium voltage	Straight line	45 Years
Laboratory equipment	Straight line	5 Years
Specialised vehicles	Straight line	5 Years
Water network	Straight line	20 Years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

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### 1.3 Property, plant and equipment (continued)

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

### 1.4 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

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Item	Depreciation method	Average useful life
Patents, trademarks and other rights	Straight line	30 Years
Computer software, other	Straight line	3 years

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# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

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### 1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.



# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

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### 1.5 Financial instruments (continued)

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

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### 1.5 Financial instruments (continued)

#### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at fair value
Consumer debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Other accruals	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost
VAT payables	Financial liability measured at amortised cost
Purchase of office building	Financial liability measured at fair value

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

#### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

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### 1.5 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

### 1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

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### 1.6 Leases (continued)

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

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### 1.7 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.8 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

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### 1.8 Impairment of cash-generating assets (continued)

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### 1.9 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

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### 1.9 Impairment of non-cash-generating assets (continued)

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

### 1.10 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

### 1.11 Employee benefits

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

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### 1.11 Employee benefits (continued)

#### Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

### 1.12 Provisions and contingencies

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.



# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

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### 1.12 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

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### 1.14 Revenue from exchange transactions (continued)

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

### 1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

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### 1.15 Revenue from non-exchange transactions (continued)

#### Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### 1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Comparative figures in the Statement of Financial Position has been reclassified in respect of prior year adjustments

Comparative figures in the Statement of Financial Performance has been reclassified in respect of prior year adjustmentst

### 1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.21 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

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### 1.21 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.22 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2016 to 6/30/2017.

The budget for the economic entity includes all the entities approved budgets under its control.

The unaudited annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the unaudited annual financial statements as the recommended disclosure when the unaudited annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

### 1.23 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

# **Uthukela District Municipality**

Unaudited Annual Financial Statements for the year ended June 30, 2017

## **Accounting Policies**

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### **1.23 Related parties (continued)**

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### **1.24 Events after reporting date**

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### **1.25 Going concern assumption**

These financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
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### 2. Changes in accounting policy

The unaudited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year.

### 3. New standards and interpretations

#### 3.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

- GRAP 108: Statutory Receivables April 1, 2016
- GRAP 32: Service Concession Arrangements: Grantor April 1, 2016
- IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset April 1, 2016

#### 3.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2017 or later periods:

- |   |   |  |
|---|---|--|
| • GRAP 34: Separate Financial Statements  | No effective date has been determined by the Minister | Unlikely there will be a material impact |
| • GRAP 35: Consolidated Financial Statements  | No effective date has been determined by the Minister | Unlikely there will be a material impact |
| • GRAP 36: Investments in Associates and Joint Ventures                                     | No effective date has been determined by the Minister | Unlikely there will be a material impact |
| • GRAP 37: Joint Arrangements   | No effective date has been determined by the Minister | Unlikely there will be a material impact |
| • GRAP 38: Disclosure of Interests in Other Entities  | No effective date has been determined by the Minister | Unlikely there will be a material impact |
| • GRAP 110: Living and Non-living Resources   | No effective date has been determined by the Minister | Unlikely there will be a material impact |
| • GRAP 12 (as amended 2016): Inventories  | April 1, 2018   | Unlikely there will be a material impact |
| • GRAP 27 (as amended 2016): Agriculture  | April 1, 2018   | Unlikely there will be a material impact |
| • GRAP 31 (as amended 2016): Intangible Assets  | April 1, 2018   | Unlikely there will be a material impact |
| • GRAP 103 (as amended 2016): Heritage Assets   | April 1, 2018   | Unlikely there will be a material impact |
| • GRAP 110 (as amended 2016): Living and Non-living Resources                               | April 1, 2018   | Unlikely there will be a material impact |
| • IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land | April 1, 2019   | Unlikely there will be a material impact |
| • Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities      | April 1, 2018   | Unlikely there will be a material impact |
| • GRAP 20: Related parties  | April 1, 2017   | Unlikely there will be a material impact |
| • GRAP 26 (as amended 2016): Impairment of cash-generating assets                           | April 1, 2018   | Unlikely there will be a material impact |
| • GRAP 109: Accounting by Principals and Agents   | April 1, 2017   | Unlikely there will be a material impact |

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

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### 3. New standards and interpretations (continued)

- |  |               |  |
|--|---------------|--|
| • GRAP 21 (as amended 2016): Impairment of non-cash-generating assets                          | April 1, 2018 | Unlikely there will be a material impact |
| • GRAP 18 (as amended 2016): Segment Reporting   | April 1, 2018 | Unlikely there will be a material impact |
| • GRAP 17 (as amended 2016): Property, Plant and Equipment                                     | April 1, 2018 | Unlikely there will be a material impact |
| • GRAP 16 (as amended 2016): Investment Property   | April 1, 2018 | Unlikely there will be a material impact |
| • GRAP 106 (as amended 2016): Transfers of functions between entities not under common control | April 1, 2018 | Unlikely there will be a material impact |

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,037,872	-	1,037,872	1,037,872	-	1,037,872
Buildings	30,295,578	(2,049,868)	28,245,710	31,633,607	(1,464,628)	30,168,979
Infrastructure	2,404,183,109	(589,755,671)	1,814,427,438	2,236,278,612	(541,063,697)	1,695,214,915
Other property, plant and equipment (Movables)	64,382,421	(38,224,177)	26,158,244	66,631,386	(29,938,761)	36,692,625
Other property, plant and equipment (Infrastructure work in progress)	417,210,290	-	417,210,290	373,913,298	-	373,913,298
<b>Total</b>	<b>2,917,109,270</b>	<b>(630,029,716)</b>	<b>2,287,079,554</b>	<b>2,709,494,775</b>	<b>(572,467,086)</b>	<b>2,137,027,689</b>



# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	1,037,872	-	-	-	-	-	-	1,037,872
Buildings	30,168,979	-	(895,647)	-	-	(943,622)	(84,000)	28,245,710
Infrastructure	1,695,214,911	-	(2,097,500)	173,920,453	-	(52,296,443)	(313,985)	1,814,427,436
Other property, plant and equipment (movables)	36,692,614	972,369	(2,211,689)	-	-	(9,295,050)	-	26,158,244
Other property plant and equipment (Infrastructure work in progress)	373,913,313	239,934,632	-	(173,920,453)	(12,307,615)	-	(10,409,585)	417,210,292
	<b>2,137,027,689</b>	<b>240,907,001</b>	<b>(5,204,836)</b>	<b>-</b>	<b>(12,307,615)</b>	<b>(62,535,115)</b>	<b>(10,807,570)</b>	<b>2,287,079,554</b>

## Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

### Notes to the Unaudited Annual Financial Statements

Figures in Rand

#### 4. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	1,037,872	-	-	-	-	1,037,872
Buildings	31,437,449	18,750	-	(318,000)	(969,220)	30,168,979
Infrastructure	1,496,355,983	3,675,428	-	241,252,976	(46,069,476)	1,695,214,911
Other property, plant and equipment	39,598,548	5,537,761	(1,187,290)	2,960,494	(10,216,899)	36,692,614
Leased assets	2,642,494	-	-	(2,642,494)	-	-
Other property, plant and equipment " infrastructure work in progress"	445,955,088	169,211,201	-	(241,252,976)	-	373,913,313
	<b>2,017,027,434</b>	<b>178,443,140</b>	<b>(1,187,290)</b>	<b>-</b>	<b>(57,255,595)</b>	<b>2,137,027,689</b>

Impairment losses R10,409,585 (2016/2017) have been recognized for Property, Plant and Equipment that has been halted.

Other changes/movements relates to expenditure incurred during 2016/2017 on Kwanobamba water treatment works that was deemed operating expenditure and classified under repairs and maintenance.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>4. Property, plant and equipment (continued)</b>		
<b>Property, plant and equipment in the process of being constructed or developed</b>		
<b>Cumulative expenditure recognised in the carrying value of property, plant and equipment</b>		
Work in progress - Infrastructure	419,363,332	373,913,313
<b>Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected</b>		
Kwanobamba Ezitendeni 2C - Contract 179/2015	6,914,193	-
Contractor had cashflow problems - Start date 24/03/2016 end date 19/02/2017.		
Kwanobamba Ezitendeni WTW - Contract 11/2015	10,948,457	-
Delays in procurement of materia - Start date 22/06/2016 end date 22/06/2017.		
Moyeni/Zwelisha WTW - Contract 172/20156	2,714,591	-
Start date 01/02/2016 end date 30/06/2016.		
Lombardskop bulk water feeder - Contract 181/2015	67,512,384	-
Start date 24/02/2016 end date 21/01/2017.		
Mimosadale - Contract 171/2015	6,116,885	-
Start date 18/10/2016 end date 22/05/2017.		
Fitty Park - Contract 100/2012	14,320,657	14,320,657
Start date 21/08/2015 end date 13/04/2016.		
Bhekuzulu/Ephangweni Phase 7	12,335,853	-
Start date 22/02/2016 end date 22/05/2017.		
	<b>120,863,020</b>	<b>14,320,657</b>
<b>Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)</b>		
Ntabamhlophe Phase 10B	14,280,657	14,280,657
Contract cancelled due to poor performance.		
Bhekuzulu Phase 3	3,646,362	3,646,362
Contract was cancelled due to poor performance		
Bhekuzulu Phase 5	74,075,055	74,075,055
Contract was cancelled due to poor performance		
Bergville sewer sanitation contract 114/2013	8,203,477	8,203,477
Contract cancelled due to poor performance		
	<b>100,205,551</b>	<b>100,205,551</b>
<b>Impairment losses have been recognised for property, plant and equipment that has been halted as follows.</b>		
Bhekuzulu Phase 5	2,714,867	-
Winterton water treatment	5,142,610	-
Khethani refurbishment & upgrade	2,009,725	-
Bergville sewer sanitation	542,383	-
	<b>10,409,585</b>	<b>-</b>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>4. Property, plant and equipment (continued)</b>		
<b>Reconciliation of Work-in-Progress 2017</b>		
	Included within Other PPE	Total
Opening balance	373,913,313	373,913,313
Additions/capital expenditure	239,934,633	239,934,633
Expensed	(12,307,615)	(12,307,615)
Transferred to completed projects	(173,920,453)	(173,920,453)
Impairment	(10,409,586)	(10,409,586)
	<b>417,210,292</b>	<b>417,210,292</b>

Work in progress represents capital projects which have not been completed at financial year end.

Once a project has been completed and a completion certificate has been issued work in progress is transferred to infrastructure in the fixed asset register.

No depreciation is calculated on work in progress disclosed in the fixed asset register.

### Reconciliation of Work-in-Progress 2016

	Included within Other PPE	Total
Opening balance	445,955,089	445,955,089
Additions/capital expenditure	169,211,202	169,211,202
Transferred to completed projects	(241,252,978)	(241,252,978)
	<b>373,913,313</b>	<b>373,913,313</b>

### Expenditure incurred to repair and maintain property, plant and equipment

#### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Employee related costs (Included in employee related cost in the statement of financial performance)	23,543,215	22,831,139
Buildings and offices	1,052,116	1,502,490
Vehicles	6,075,819	8,606,072
Pipelines and Reservoirs	9,997,992	12,126,329
Plant and equipment - Water treatment and waste water treatment works	482,762	265,388
Pumps	16,444,559	5,126,190
Roads	7,771	-
Disinfection system "Blue drop and Green drop"	843,856	892,530
Refurbishment of Existing Schemes	12,307,615	1,855,822
Electrical	174,600	19,414
Repairs to old building Murchison Street	-	66,058
	<b>70,930,305</b>	<b>53,291,432</b>

Expenditure incurred to repair and maintain property plant and equipment amounting to R30,460,293 (2015/2016) and R47,387,090 (2016/2017) is included in general expenditure in the statement of financial performance.

Employee related costs R22,831,139 (2015/2016) and R17,101,150 (2016/2017) is included in employee related costs in the statement of financial performance.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
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### 5. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	786,557	(198,592)	587,965	786,557	(133,183)	653,374

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
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### 5. Intangible assets (continued)

#### Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Computer software	653,374	(65,409)	587,965

#### Reconciliation of intangible assets - 2016

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	238,202	543,600	(43,543)	(84,885)	653,374

### 6. Operating lease asset (accrual)

Non-current liabilities	-	-
Current liabilities	(134,263)	(378,853)
	<u>(134,263)</u>	<u>(378,853)</u>

The operating lease liability in respect of the rental of offices occupied by the municipality amounted to R378,853 - 2015/2016 and R134,263 - 2016/2017.

The Municipality currently occupies satellite offices in Estcourt, Colenso, Weenen and Bergville.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>7. Employee benefit obligation</b>		
<b>Post retirement medical aid plan and long service awards</b>		
<p>Independent valuers, ARCH Actuarial Consulting has carried out the statutory valuation for the 2013/2014, 2014/2015, 2015/2016 and 2016/2017 financial years.</p> <p>The amounts recognised in the statement of financial position are as follows:</p>		
<b>Carrying value</b>		
Present value of the defined benefit obligation - medical aid post retirement	(17,057,808)	(16,304,317)
Present value of the defined benefit obligation - long service awards	(12,068,822)	(11,013,246)
	<b>(29,126,630)</b>	<b>(27,317,563)</b>
Non-current liabilities	(28,135,528)	(26,438,620)
Current liabilities	(991,102)	(878,943)
	<b>(29,126,630)</b>	<b>(27,317,563)</b>
<b>Changes in the present value of the post retirement medical aid plan obligation are as follows:</b>		
Opening balance	16,304,317	3,466,305
Net expense recognised in the statement of financial performance	753,491	12,838,012
	<b>17,057,808</b>	<b>16,304,317</b>
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	1,261,457	190,794
Interest cost	1,558,140	293,265
Actuarial (gains) losses	(1,722,042)	12,497,257
Expected return on plan assets	(344,064)	(143,304)
	<b>753,491</b>	<b>12,838,012</b>
<b>Calculation of actuarial gains and losses</b>		
Actuarial (gains) losses – Obligation	(1,722,042)	12,497,257
<b>Movement in the retirement medical aid obligation are as follows:</b>		
Opening balance	16,304,317	3,466,305
Expected return	1,261,457	190,794
Actuarial gains (losses)	1,558,140	293,265
Assets distributed on settlements	(344,064)	(143,304)
Benefits paid	(1,722,042)	12,497,257
	<b>17,057,808</b>	<b>16,304,317</b>

The municipality expects to contribute R448,275 to its defined benefit plans in the 2017/2018 financial year and R484,306 in the 2018/2019 financial year.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
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### 7. Employee benefit obligation (continued)

#### Key assumptions used

The principal actuarial assumptions were as follows;

Discount rates used	9.76 %	9.66 %
Health care cost inflation rate	8.04 %	8.66 %
Net discount rate - health care cost inflation	1.60 %	0.92 %
Maximum subsidy inflation rate	5.65 %	6.12 %
Net discount rate - maximum subsidy inflation	3.89 %	3.33 %

Examples of mortality rates used were as follows;

#### Retirement age and mortality

Average retirement age	65 Years	65 Years
Continuation of membership	100%	100%
Proportion assumed married at retirement age	90%	90%
Mortality during employment	SA 85-90	SA85-90
Mortality post-retirement	PA(90)-2	PA(90)-2

Members withdrawn from service: (average for males and females)

Averages for males and females	Males	Females
Age 20	15%	24%
Age 30	7%	7%
Age 40	2%	2%
Age 50	0%	0%
Age 55	0%	0%

The municipality offers employees long service awards for every 5 years of service completed, from 10 years of service to 45 years of service inclusive.

#### Changes in present value of long service awards are as follows

Value at the beginning of the year	11,013,246	9,927,066
Increase in value of obligation	1,055,576	1,086,180
	<b>12,068,822</b>	<b>11,013,246</b>

Independent valuers, ARCH Actuarial Consulting, carried out the valuations for the 2013/2014, 2014/2015, 2015/2016 and 2016/2017 financial years.

The total liability has increased by 9.58% or (R1,055,576) during the 2016/2017 financial year due to the increase in salaries and more eligible employees.

The principle actuarial assumptions used were as follows;

<b>Rates</b>	<b>2017</b>	<b>2016</b>
Discount rates	8.71%	8.23%
General salary inflation	6.54%	7.22%
Net discount rate	2.04%	0.94%

The valuation was performed at the end of June 2017 and the next valuation at the end of June 2018.

<b>Examples of mortality rates</b>	<b>2017</b>	<b>2016</b>
Average retirement age	65	65
Pre-retirement mortality	SA 85-90	SA 85-90



# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>7. Employee benefit obligation (continued)</b>		
Members withdrawn from services: (avarage for males and females).		
<b>Age groups</b>	<b>Males</b>	<b>Females</b>
Age 20	15%	24%
Age 30	7%	7%
Age 40	2%	2%
Age 50	0%	0%
Age 55	0%	0%
The amount recognized in the statement of financial position were determined as follows;		
<b>Value of the liability in the statement of financial position</b>		
Present value of funded obligation	12,068,822	11,013,246
<b>Movement in the long service obligation</b>		
Balance at the beginning of the year	11,013,246	9,927,066
Current service costs	1,286,350	1,272,243
Interest costs	945,845	786,412
Benefit payments	(534,879)	(755,822)
Actuarial loss / (gain)	(641,740)	(216,653)
<b>Balance at the end of the year</b>	<b>12,068,822</b>	<b>11,013,246</b>
The amounts recognized in the statement of financial position and the statement of financial performance are as follows;		
<b>Statement of financial position obligation</b>		
Long service awards	12,068,822	11,013,246
<b>Statement of financial performance obligation loss / (gain)</b>		
Long service awards	(641,740)	(216,653)
<b>8. Prepayments</b>		
Prepayments represent rental of offices and parking space payable in advance.		
Operating leases are disclosed in note 37.		
<b>Prepayments made</b>		
V.R. Sarjoo - Rental of the satelite office in Weenen	-	(2,106)
Konika Minolta - Rental of office machines	-	108,730
Dedekind Real Estate - Rental of parking space for municipal vehicles	-	33,000
	-	<b>139,624</b>
<b>9. Inventories</b>		
Chemicals	736,810	692,414
Purified water stock	626,435	570,721
Stores	4,562,712	4,283,827
	<b>5,925,957</b>	<b>5,546,962</b>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>10. Receivables from exchange transactions</b>		
Deposits	1,658,406	1,658,406
Sundry debtors	2,865,026	2,740,107
	<b>4,523,432</b>	<b>4,398,513</b>
<b>11. Receivables from non-exchange transactions</b>		
Receivables from non exchange transactions	4,621,778	4,621,778
Other receivables from non exchange transaction	2,079,946	1,403,003
	<b>6,701,724</b>	<b>6,024,781</b>

Except for the salary fraud the municipality expects to realize these debtors within 12 months.

Receivables from non-exchange transactions (R4,621,778) includes an amount of R4,592,424 in respect of salary fraud and R29,354 in respect of unpaid cheques issued in favour of the municipality.

The amount of R4,592,424 in respect of the salary fraud is not included in employee related costs in the statement of financial performance.

Other receivables from non-exchange transactions (R1,403,003) in respect of the 2015/2016 financial year includes a payment to the amount of R899,251 made to the Auditor General paid into the wrong bank account and R503,752 in respect of duplicate payment made to creditors.

The payment made to the Auditor General was deposited into the account of a Mrs. Mashisi.

Mrs. Mashisi claimed that the money was paid into her loan account which she does not have access to.

Councils legal section has instituted legal action against Mrs. Mashisi to recover the money.

As at 30 June 2017 R705,365 has been recovered from Mrs. Mashisi and R407,310 in respect of the duplicate payments.

As at 30 June 2017 other receivables from non exchange transactions is R2,079,946 which represents (R1,403,003 less R1,112,675 recovered during 2016/2017 plus R26,070 and R1,763,548 incurred during 2016/2017).

The amount of R1,763,548 included in other receivables from non exchange transactions will be recovered in July 2017.

During May 2017 the cashier in Estcourt issued receipt to the amount of R25,770 which could not be reconciled with the daily deposits. Upon investigation it was found that not only was the money not deposited by the cashier but her float of R300 was also missing. The cashier absconded and has not returned for duty. The Senior Debtors Clerk made a sworn statement with then SAPS on the 7 th of July 2017 and Management has resolved to initiate criminal action against the cashier.

**Refer to note 49** : Fruitless and wasteful expenditure" for further disclosure on salary fraud.

## Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

### Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>12. Consumer debtors</b>		
<b>Gross balances</b>		
Water and sanitation	<u>681,143,857</u>	<u>574,090,484</u>
<b>Less: Allowance for impairment</b>		
Water and sanitation	<u>(525,298,426)</u>	<u>(430,417,314)</u>
<b>Net balance</b>		
Water and sanitation	<u>155,845,431</u>	<u>143,673,170</u>
<b>Water</b>		
Current (0 -30 days)	940,595	2,380,914
31 - 60 days	3,367,924	3,668,789
61 - 90 days	2,719,559	3,472,133
91 - 120 days	2,180,014	4,082,899
121 - 365 days	146,637,339	130,068,435
	<u><b>155,845,431</b></u>	<u><b>143,673,170</b></u>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>12. Consumer debtors (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	8,792,790	7,062,144
31 - 60 days	11,846,761	12,882,602
61 - 90 days	10,031,287	12,197,257
91 - 120 days	7,764,763	14,604,818
121 - 365 days	590,968,539	504,654,484
	<u>629,404,140</u>	<u>551,401,305</u>
Less: Allowance for impairment	(485,536,559)	(413,397,103)
	<b><u>143,867,581</u></b>	<b><u>138,004,202</u></b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	2,064,454	968,677
31 - 60 days	1,072,889	302,743
61 - 90 days	730,022	201,001
91 - 120 days	708,986	237,941
121 - 365 days	27,563,275	8,982,256
	<u>32,139,626</u>	<u>10,692,618</u>
Less: Allowance for impairment	(24,699,237)	(8,021,031)
	<b><u>7,440,389</u></b>	<b><u>2,671,587</u></b>
<b>National and provincial government</b>		
Current (0 -30 days)	1,157,128	1,498,424
31 - 60 days	1,628,487	1,498,424
61 - 90 days	986,142	1,498,424
91 - 120 days	943,078	1,498,423
121 - 365 days	14,885,256	6,002,866
	<u>19,600,091</u>	<u>11,996,561</u>
Less: Allowance for impairment	(15,062,630)	(8,999,180)
	<b><u>4,537,461</u></b>	<b><u>2,997,381</u></b>
<b>Total</b>		
Current (0 -30 days)	12,295,771	9,529,245
31 - 60 days	14,307,769	14,683,768
61 - 90 days	11,735,245	13,896,682
91 - 120 days	9,334,383	16,341,183
121 - 365 days	633,470,689	519,639,606
	<u>681,143,857</u>	<u>574,090,484</u>
Less: Allowance for impairment	(525,298,426)	(430,417,314)
	<b><u>155,845,431</u></b>	<b><u>143,673,170</u></b>
<b>Less: Allowance for impairment</b>		
Current (0 -30 days)	(11,073,777)	(7,148,331)
31 - 60 days	(11,180,215)	(11,014,979)
61 - 90 days	(9,027,892)	(10,424,549)
91 - 120 days	(7,236,813)	(12,258,283)
121 - 365 days	(486,779,729)	(389,571,172)
	<b><u>(525,298,426)</u></b>	<b><u>(430,417,314)</u></b>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>12. Consumer debtors (continued)</b>		
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(430,417,314)	(372,374,278)
Contributions to allowance	(94,881,112)	(58,043,036)
	<b><u>(525,298,426)</u></b>	<b><u>(430,417,314)</u></b>

At the end of June 2016 (2015/2016 financial year) consumer debtors amounted to R574,090,484 and a provision for impairment was made to the amount of R430,417,314 with net debtors being R143,673,170 at year end.

At the end of June 2017 (2016/2017 financial year) consumer debtors amounted to R681,143,857 and a provision for impairment was made to the amount of R525,298,426 with net debtors being R155,845,431 at year end.

### Fair value of consumer debtors

Consumer debtors	<u>155,845,431</u>	<u>143,673,170</u>
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The municipality performed its own exercise in terms of Grap 104 to establish;

1. How much of the debt is recoverable.
2. When will the amount be recovered.
3. And the present value of the debt that is to be recovered.

By using the above measures the impairment provision calculated is R525,298,426 as at 30 June 2017.

### 13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	11,800	12,100
Cash Bank	3,663,098	1,507,806
Short-term deposits	2,322,987	35,195,503
	<b><u>5,997,885</u></b>	<b><u>36,715,409</u></b>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017			2016		
<b>13. Cash and cash equivalents (continued)</b>						
<b>The municipality had the following bank accounts</b>						
Account number / description	Bank statement balances			Cash book balances		
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2017	June 30, 2016	June 30, 2015
FNB current account 62252306280	2,106,534	903,858	41,181,646	2,106,534	903,858	41,181,646
FNB current account 62253072385	24,889	-	-	1,556,564	603,948	507,370
FNB business money account 62283176644	265,672	250,625	239,080	-	-	-
FNB call account 62402906484	-	-	16,847	-	-	-
FNB short term deposit account 74448698347	-	-	22,325,074	-	-	-
FNB short term deposit account 74448699204	-	-	4,823,758	-	-	-
FNB short term deposit account 74509856587	-	-	41,348,746	-	-	-
FNB short term deposit account 62600579679	236,417	173,035	-	-	-	-
FNB short term deposit account 62600812102	131,361	390,949	-	-	-	-
Nedbank call deposit account 7881108134	2,502	509,176	479,904	-	-	-
Nedbank call deposit account 7881108142	37,876	35,498	33,457	-	-	-
Nedbank call deposit account 7881108150	41,001	38,427	36,218	-	-	-
Nedbank call deposit account 7881108185	891	181,252	170,832	-	-	-
Nedbank call deposit account 7881108207	129,418	121,295	114,321	-	-	-
Nedbank call deposit account 7881108215	12,936	12,124	11,427	-	-	-
Nedbank Call deposit account 7881108223	749	702	662	-	-	-
Nedbank call deposit account 7881108258	16,673	15,627	14,728	-	-	-
Nedbank call deposit account 7881108266	2,089	425,181	400,738	-	-	-
Nedbank call deposit account 7881108274	997	935	881	-	-	-
Nedbank call deposit account 7881108282	7,056	6,613	6,233	-	-	-
Nedbank call deposit account 7881113375	125,351	2,027,746	1,903,475	-	-	-
Nedbankcall deposit account 7881006110	23,151	10,685	-	-	-	-
Investec call deposit account 50007868808	-	1,383,438	1,303,904	-	-	-
Investec call deposit account 50007609828	-	6,862,382	6,467,861	-	-	-
Investec call deposit account 50007621328	-	934,315	880,601	-	-	-
Investec call deposit account 50007621342	-	24	24	-	-	-
Investec call deposit account 5007621374	-	123,863	116,742	-	-	-

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

				2017	2016
<b>13. Cash and cash equivalents (continued)</b>					
Investec call deposit account 50008183042	57,641	20,654,510	21,713,468	-	-
Investec call deposit account 50008274324	-	1,037,101	977,478	-	-
ABSA call deposit account 9328134049	1,231,206	-	-	-	-
<b>Total</b>	<b>4,454,410</b>	<b>36,099,361</b>	<b>144,568,105</b>	<b>3,663,098</b>	<b>1,507,806</b>
				<b>1,507,806</b>	<b>41,689,016</b>

Investments were done in terms of the MFMA, Chapter 3, Part 2, Section 13 "Cash Management and Investments".

Interest was earned at an average interest rate of 6.49% for the period ending 30 June 2017.

### 14. Accumulated surplus

#### Ring-fenced internal funds and reserves within accumulated surplus - 2017

	Accumulated surplus account	Total
Opening balance	2,100,054,066	2,100,054,066
Movement in accumulated surplus account	2,494,177	2,494,177
Operating surplus as at 30 June 2017	66,778,084	66,778,084
	<b>2,169,326,327</b>	<b>2,169,326,327</b>

#### Ring-fenced internal funds and reserves within accumulated surplus - 2016

	Accumulated surplus account	Total
Opening balance	2,035,928,780	2,035,928,780
Restated operating surplus / (defecit) as at 30 June 2016	64,125,286	64,125,286
	<b>2,100,054,066</b>	<b>2,100,054,066</b>

### 15. Unspent conditional grants and receipts

Unspent conditional grants are disclosed in the statement of financial performance as liability and represents grants which have not been fully spent during the financial year. Application has been made to the funders for the approval of a roll over of the unspent portions to the following financial year.

#### Unspent conditional grants and receipts comprises of:

##### Unspent conditional grants and receipts

Regional Bulk Infrastructure Grant (RBIG)	67,083,172	15,688,191
LGSETA Training Grant	285,499	195
KZN DPSS	1,115,192	451,303
Rural Road Asset Management Grant	1,227,391	16,043
	<b>69,711,254</b>	<b>16,155,732</b>

#### Movement during the year

Balance at the beginning of the year	16,155,732	6,999,029
Additions during the year	342,805,304	276,338,765
Income recognition during the year	(289,249,782)	(267,182,062)
	<b>69,711,254</b>	<b>16,155,732</b>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>15. Unspent conditional grants and receipts (continued)</b>		
The nature and extent of government grants recognised in the unaudited annual financial statements is an indication of government assistance from which the municipality has directly benefited.		
Unfulfilled conditions remains a liability at year end and are disclosed in the statement of financial position.		
See note 26 for reconciliation of grants from National/Provincial Government.		
These amounts are invested in a ring-fenced investment until utilised.		
<b>16. Other financial liabilities - Development Bank of South Africa</b>		
The municipality has redeemed all the Development Bank loans in full during the 2014/2015 financial year and the municipality is therefore free from all loans which were taken up in respect of capital development.		
The municipality has not taken up any new loans and there are no outstanding loans in the 2016/2017 financial year..		
<b>17. Vat Payable</b>		
The municipality is registered on a payment basis for VAT purposes with SARS. The VAT payable is as a result of the unpaid debt due by municipal consumers. Payment is made to SARS on receipt of payments received from consumers.		
Monthly VAT returns are up to date.		
The municipality has received VAT refunds to the amount of R53,705,658 during the 2016/2017 financial year.		
Vat payable to SARS	64,659,820	30,651,340
<b>18. Purchase of office building</b>		
The municipality has entered into a sale agreement with Enambithi Construction CC to purchase the office building which it is currently occupying at 33 Forbes Street / 36 Lyell Street in Ladysmith.		
The purchase price agreed upon was R30,000,000 excluding VAT and it was agreed that it will be paid in three instalments.		
The first instalment of R9,000,000 excluding VAT was due and payable on the 30th of June 2015.		
The second instalment of R10,000,000 excluding VAT was due and payable on the 30th of September 2016 and the third and final payment of R11,000,000 excluding vat was due and payable on the 30th of November 2016.		
The building is included in property, plant and equipment in the statement of financial position for the amount of R30,000,000.		
<b>Purchase of office building</b>		
Current liability in respect of the payment which was due to Enambithi Construction on the 30th of November 2016	-	6,210,601
<b>19. Payables from exchange transactions</b>		
Trade payables	43,354,705	64,690,615
Department of Water Affairs (DWA) Accrual	19,907,051	25,464,543
Trust funds- late estates	3,485,008	5,673,230
Retentions	23,925,546	18,084,621
Debtors refunds	52,754	59,655
Sundry creditors	1,852,848	555,175
	<b>92,577,912</b>	<b>114,527,839</b>



# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>19. Payables from exchange transactions (continued)</b>		
<b>Fair value of Trust funds</b>		
Estate late N.M. Khumalo	20,242	19,008
Estate late J. Shabalala	140,664	132,091
Estate late F.N Nhlebela	17,562	16,492
Estate late P.B. Vilikazi	61,740	57,977
Estate late Z.G. mvelase	7,790	7,315
Estate late T.C. Mabaso	137,213	128,851
Estate late M. N Sithole	852	800
Estate late j. P Sokhela	137,795	129,397
Estate late G. Matotoka	174,339	163,714
Estate late C. Buthelezi	67,657	63,534
Estate late S.I.T. Ndlovu	22,783	21,395
Estate late Z.P. Mthabela	1,117,163	1,049,078
Estate late J.B. Sithole	63,760	62,210
Estate late M.M. Mncube	31	29
Estate late S.A. Luthuli	95,590	89,764
Estate late P/T. Majola	114,284	107,319
Estate late J.S. Sithole	4,178	88,709
Estate late L. Mbatha	211,749	198,844
Estate late E.Q. Xaba	304,897	286,315
Estate late X.M. Zimba	50,667	47,579
Estate late L.W. Ndimande	173,246	162,688
Estate late T.A. Mailnga	514,213	482,874
Estate late M.J. Ntshaba	3,261	803,318
Estate late M.V. Buthelezi	17,490	1,107,503
Estate late D.G. Khoza	5,234	446,426
Estate late M. Mbatha	20,608	-
	<b>3,485,008</b>	<b>5,673,230</b>

Council employees previously had life cover under a Group Life Scheme which was cancelled, however employees now have accidental death life cover under Councils insurance portfolio with Indwe Risk Services.

The trust fund are monies which were received from the Group Life Scheme or Councils insurers in respect of employees who passed away while in service of the municipality.

Employees complete a beneficiary nomination form when they join the municipality as an employee.

These trust funds represents monies held in trust by the municipality which have not yet been claimed by the nominated beneficiaries.

## 20. Other accruals "Provisions"

Bonus accrual	5,337,823	4,376,720
Leave pay accrual	13,603,780	14,018,417
	<b>18,941,603</b>	<b>18,395,137</b>

Other accruals amounts to R18,395,1371 (2015/2016) and R18,941,603 (2016/2017).

The bonus accrual amounted to R5,337,823 (2015/2016) and R4,376,720 (2016/2017) as at year end.

The leave pay accrual amounted to R14,018,621 (2015/2016 and R13,603,780 (2016/2017) as at year end.

## 21. Consumer deposits

Water	13,581,655	11,885,907
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# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>22. Revenue</b>		
Service charges	155,820,514	153,121,673
Interest received - trading services	38,545,914	20,214,647
Other income	5,228,381	3,496,813
Interest received - investment	7,189,148	11,991,453
Government grants & subsidies	621,619,784	568,331,256
Public contributions and donations	20,000	70,000
	<b>828,423,741</b>	<b>757,225,842</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	155,820,514	153,121,673
Interest received - trading services	38,545,914	20,214,647
Other income	5,228,381	3,496,813
Interest received - investment	7,189,148	11,991,453
	<b>206,783,957</b>	<b>188,824,586</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
Government grants & subsidies	621,619,784	568,331,256
Public contributions and donations	20,000	70,000
	<b>621,639,784</b>	<b>568,401,256</b>
<b>Nature and type of Bequests, gifts, donations and goods in-kind are as follows:</b>		
Donations	Donations received from FNB - Sport events	
<b>23. Service charges</b>		
Sale of water	141,514,181	136,221,228
Sewerage and sanitation charges	14,306,333	16,900,445
	<b>155,820,514</b>	<b>153,121,673</b>
<b>24. Other revenue</b>		
Other income	5,228,381	3,496,813
<b>The amount included in other revenue arising from exchanges of goods or services are as follows:</b>		
Clearance certificates	171,226	182,584
Bulk sewerage disposal	-	224
Copies building plans	468,450	53,203
Sundry income	187,661	999,439
Connections - water	1,006,989	952,950
Connections - sewerage	25,643	53,607
Trade effluent	2,001,620	1,118,341
Insurance claims received	354,529	136,465
Tender documents	235,504	-
Proceeds from sale of assets	776,759	-
	<b>5,228,381</b>	<b>3,496,813</b>

## Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

### Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>25. Investment revenue</b>		
<b>Interest revenue</b>		
Interest received - Investments	<u>7,189,148</u>	<u>11,991,453</u>

The amount included in Investment revenue arising from non-exchange transactions amounted to R11,991,453 (2015/2016) and R7,189,148 (2016/2017).

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>26. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	332,370,000	309,730,000
Finance Management Grant	1,460,000	1,325,000
EPWP Integrated Grant	3,169,000	2,384,000
KZN Projects	536,111	4,867,831
Municipal Systems Improvement Grant	-	940,000
Water Services Operating Grant	-	3,742,512
Drought Relief	10,000,000	-
	<b>347,535,111</b>	<b>322,989,343</b>
<b>Capital grants</b>		
Regional Bulk Infrastructure Grant	12,605,020	5,927,294
Municipal Infrastructure Grant	178,506,000	181,268,677
Rural Household Infrastructure Grant	-	5,817,021
Municipal Water Infrastructure grant	81,807,000	50,000,000
Sportsfields	-	33,964
Rural Transport Services Plan	1,166,653	2,294,957
	<b>274,084,673</b>	<b>245,341,913</b>
	<b>621,619,784</b>	<b>568,331,256</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	289,249,784	258,601,256
Unconditional grants received	332,370,000	309,730,000
	<b>621,619,784</b>	<b>568,331,256</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigent consumers received a monthly subsidy of 6 Kiloliters - (2016: R9.17 -) and (2017: R9.72), which is funded from the grant.		
The 6kl free basic subsidy - in respect of indigent consumers for the 2016/2017 financial year amounted to R10,174,543.		
The cost of free basic services - water supplied by water tankers for the 2016/2017 financial year amounted to R59,008,490.		
<b>Rural Household Infrastructure</b>		
Balance unspent at beginning of year	-	1,435,021
Current-year receipts	-	4,382,000
Conditions met - transferred to revenue	-	(5,817,021)
	<b>-</b>	<b>-</b>
Conditions still to be met at year end - remain liabilities (see note 15).		
<b>Masibumbaneni Co-op</b>		
Balance unspent at beginning of year	-	305,993
Conditions met - transferred to revenue	-	(305,993)
	<b>-</b>	<b>-</b>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>26. Government grants and subsidies (continued)</b>		
Conditions still to be met at year end - remain liabilities (see note 15).		
<b>Municipal Infrastructure Grant</b>		
Current-year receipts	178,506,000	181,268,677
Conditions met - transferred to revenue	(178,506,000)	(181,268,677)
	-	-
Conditions still to be met at year end - remain liabilities (see note 15).		
<b>Municipal Water Infrastructure</b>		
Current-year receipts	81,807,000	50,000,000
Conditions met - transferred to revenue	(81,807,000)	(50,000,000)
	-	-
Conditions still to be met at year end - remain liabilities (see note 15).		
<b>Regional Bulk Infrastructure</b>		
Balance unspent at beginning of year	15,688,191	-
Current-year receipts	64,000,000	30,217,969
Conditions met - transferred to revenue	(12,605,019)	(14,529,778)
	<b>67,083,172</b>	<b>15,688,191</b>
Conditions still to be met at year end - remain liabilities (see note 15).		
<b>Infrastructure Sports Fields</b>		
Balance unspent at beginning of year	-	33,964
Conditions met - transferred to revenue	-	(33,964)
	-	-
Conditions still to be met - remain liabilities (see note 15).		
<b>LGSETA Grant - Training</b>		
Balance unspent at beginning of year	195	83,680
Current-year receipts	285,304	281,796
Conditions met - transferred to revenue	-	(365,281)
	<b>285,499</b>	<b>195</b>
Conditions still to be met at year end - remain liabilities (see note 15).		
<b>Water Services Operating Subsidy</b>		
Balance unspent at beginning of year	-	742,512
Current-year receipts	-	3,000,000
Conditions met - transferred to revenue	-	(3,742,512)
	-	-
Conditions still to be met at year end - remain liabilities (see note 15).		

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>26. Government grants and subsidies (continued)</b>		
<b>IGR Grant</b>		
Balance unspent at beginning of year	-	98,126
Conditions met - transferred to revenue	-	(98,126)
	<u>-</u>	<u>-</u>
Conditions still to be met at year end - remain liabilities (see note 15).		
<b>District Disaster Centre</b>		
Balance unspent at beginning of year	-	1,393,461
Conditions met - transferred to revenue	-	(1,393,461)
	<u>-</u>	<u>-</u>
Conditions still to be met at year end - remain liabilities (see note 15).		
<b>KZN Backlog Study</b>		
Balance unspent at beginning of year	-	14,197
Conditions met - transferred to revenue	-	(14,197)
	<u>-</u>	<u>-</u>
Conditions still to be met at year end - remain liabilities (see note 15).		
<b>Drought Relief</b>		
Current-year receipts	10,000,000	-
Conditions met - transferred to revenue	(10,000,000)	-
	<u>-</u>	<u>-</u>
Conditions still to be met at year end - remain liabilities (see note 15).		
<b>KZN DPSS Shared Services</b>		
Balance unspent at beginning of year	451,303	881,034
Current-year receipts	1,200,000	250,000
Conditions met - transferred to revenue	(536,111)	(679,731)
	<u>1,115,192</u>	<u>451,303</u>
Conditions still to be met at year end - remain liabilities (see note 15).		
<b>KZN Environment Management</b>		
Balance unspent at beginning of year	-	61,859
Conditions met - transferred to revenue	-	(61,859)
	<u>-</u>	<u>-</u>
Conditions still to be met at year end - remain liabilities (see note 15).		
<b>Rural Road Asset Management</b>		
Balance unspent at beginning of year	16,043	-
Current-year receipts	2,378,000	2,311,000

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>26. Government grants and subsidies (continued)</b>		
Conditions met - transferred to revenue	(1,166,652)	(2,294,957)
	<u>1,227,391</u>	<u>16,043</u>
Conditions still to be met at year end - remain liabilities (see note 15).		
<b>Finance Management Grant</b>		
Current-year receipts	1,460,000	1,325,000
Conditions met - transferred to revenue	(1,460,000)	(1,325,000)
	<u>-</u>	<u>-</u>
Conditions still to be met at year end - remain liabilities (see note 15).		
<b>Municipal Systems Improvement Grant</b>		
Current-year receipts	-	940,000
Conditions met - transferred to revenue	-	(940,000)
	<u>-</u>	<u>-</u>
Conditions still to be met at year end - remain liabilities (see note 15).		
<b>EPWP Integrated Grant</b>		
Current-year receipts	3,169,000	2,384,000
Conditions met - transferred to revenue	(3,169,000)	(2,384,000)
	<u>-</u>	<u>-</u>
Conditions still to be met at year end - remain liabilities (see note 15).		
<b>Water Infrastructure Maintenance</b>		
Balance unspent at beginning of year	-	270,417
Conditions met - transferred to revenue	-	(270,417)
	<u>-</u>	<u>-</u>
Conditions still to be met at year end - remain liabilities (see note 15).		

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>27. Employee related costs</b>		
Basic	142,154,057	125,302,321
Bonus	9,532,888	8,027,942
Medical aid - employers contribution	5,159,525	4,326,013
UIF	1,166,587	1,075,154
WCA	21,500	-
SDL	1,922,208	1,626,773
Bargaining Council SALGA	58,074	47,152
Leave pay accrual	(414,637)	2,879,486
Leave pay	1,612,594	1,404,445
Standby allowances	6,442,065	-
Defined contribution plans	1,668,864	563,911
Travel, motor car, accommodation, subsistence and other allowances	6,127,574	4,389,414
Overtime payments	17,101,150	22,831,139
Acting allowances	707,231	-
Car allowance	8,380,602	8,479,749
Housing benefits and allowances	1,104,083	854,580
Surcharge Pension Fund	15,904,775	17,501,567
	<b>218,649,140</b>	<b>199,309,646</b>

### Remuneration of Municipal Manager

Annual Remuneration	1,465,500	1,010,892
Car Allowance	180,000	540,000
Contributions to UIF, Medical and Pension Funds	1,785	1,785
SDL	13,933	13,426
Travelling and subsistence	74,814	97,852
	<b>1,736,032</b>	<b>1,663,955</b>

The Municipal Manager was appointed as from 14 August 2013.

### Remuneration of Chief Finance Officer

Annual Remuneration	540,545	458,251
Car Allowance	385,389	393,109
Contributions to UIF, Medical and Pension Funds	1,785	1,785
SDL	12,010	10,535
Housing subsidy	275,278	280,792
Travelling and subsistence	67,622	131,959
Leave paid out	76,877	-
	<b>1,359,506</b>	<b>1,276,431</b>

The Chief Financial Officer was appointed as from 6 January 2014.

### Remuneration of Manager Technical Services

Annual Remuneration	247,546	934,342
Car Allowance	36,305	135,783
Contributions to UIF, Medical and Pension Funds	446	1,785
Standby allowance	-	237,761
SDL	2,766	12,807
Travelling and subsistence	-	32,208
	<b>287,063</b>	<b>1,354,686</b>

The General Manager Technical Services was appointed as from 6 February 2012 and resigned with effect from 31 December 2016.



# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>27. Employee related costs (continued)</b>		
<b>Remuneration of Manager Health, Environmental Services and WSA</b>		
Annual Remuneration	874,932	724,928
Car Allowance	255,535	270,116
Contributions to UIF, Medical and Pension Funds	1,785	1,872
Housing subsidy	7,428	9,668
SALGA	8	-
SDL	13,228	9,507
Leave paid out	154,659	-
Basck pay	71,796	-
	<b>1,379,371</b>	<b>1,016,091</b>

The General Manager Health, Environmental Services and WSA was re-instated as from 1 April 2015 as per Labour Court judgement.

### Remuneration of Manager Social and Economic Services

Annual Remuneration	1,135,404	1,070,124
Contributions to UIF, Medical and Pension Funds	1,785	1,785
Acting allowance	46,929	21,154
Travelling and subsistence	23,552	78,043
SDL	11,463	10,553
	<b>1,219,133</b>	<b>1,181,659</b>

The General Manager Social and Economic Services was appointed as from 1 August 2013.

### Remuneration of Manager Corporate Services

Annual Remuneration	934,892	882,637
Car Allowance	200,512	187,487
Contributions to UIF, Medical and Pension Funds	1,785	1,785
SDL	10,953	10,326
Travelling and subsistence	10,778	3,399
	<b>1,158,920</b>	<b>1,085,634</b>

The General Manager Corporate Services was appointed as from 1 July 2013.

### Remuneration of Manager Water Services

The General Manager Water Services was appointed as from 1 August 2013 and resigned with effect from 31 December 2014.

The position of General Manager Technical Services and Manager Water Services has been consolidated.

## 28. Remuneration of councillors

Executive Mayor	1,058,504	590,296
Deputy Executive Mayor	495,678	306,133
Mayoral Committee Members	712,592	904,712
Speaker	567,375	472,235
Councillors	2,648,850	4,064,822
SDL	-	42,899
	<b>5,482,999</b>	<b>6,381,097</b>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>28. Remuneration of councillors (continued)</b>		
<b>In-kind benefits</b>		
The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor, Deputy Mayor and Speaker each have the use of separate Council owned vehicles for official duties.		
The Mayor has three full-time bodyguards . The Deputy Mayor and speaker have two full-time bodyguards.		
<b>29. Depreciation and amortisation</b>		
Property, plant and equipment	<u>62,535,117</u>	<u>49,197,065</u>
<b>30. Finance costs</b>		
Bank	<u>2,554,911</u>	<u>1,125,317</u>
Finance costs represents the total bank charges expenced on the current bank accounts R1,125,317 (2015/2016) and R2,554,911 (2016/2017).		
<b>31. Debt impairment</b>		
Debt impairment - Consumer debtors	<u>94,881,113</u>	<u>57,975,475</u>
<b>32. Bulk purchases</b>		
Water	<u>8,061,187</u>	<u>7,698,102</u>
<b>33. Contracted services</b>		
Plant and equipment hire	2,527,498	6,437,522
Insurance	4,226,359	1,842,859
Chemicals	9,096,456	6,953,436
Security (guarding of municipal property	20,724,944	14,253,695
Water tankering - drought relief	59,008,490	39,121,572
	<u><b>95,583,747</b></u>	<u><b>68,609,084</b></u>

The municipality spent R39,121,572 on water tankers during the 2015/2016 financial year as a result of the drought and R59,008,490 during the 2016/2017 financial year.

Water is supplied to rural communities by means of water tankers. The municipality has a contractual agreement with each service provider.

The amount of R14,253,695 (2015/2016) and R20,724,944 (2016/2017) is in respect of security guards required to guard municipal property which includes the water and waste water treatment plants.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>34. General expenses</b>		
Advertising	2,192,680	605,012
Auditors remuneration	2,494,036	2,763,225
Bank charges	636,523	748,019
Cleaning	908,517	406,773
Commission paid	428,523	740,911
Computer expenses	226,798	1,809,108
Consulting and professional fees	16,356,754	28,724,005
Consumables	2,689,463	10,939
Entertainment	3,443,052	741,385
Conferences and seminars	2,054,543	181,189
IT expenses	114,173	1,448,650
Fleet	1,099,820	552,797
Medical expenses	199,730	97,023
Motor vehicle expenses	813,087	254,575
Fuel and oil	10,150,292	10,792,799
Postage and courier	10,063	6,861
Printing and stationery	3,300,657	2,280,585
Protective clothing	1,913,917	2,791,776
Security (VIP)	670,458	312,900
Subscriptions and membership fees	2,410,692	2,353,307
Telephone and fax	3,120,308	3,282,070
Training	2,282,626	5,782,875
Assets expensed	25,941,772	807,224
Electricity	60,877,723	54,040,050
Water	-	306,673
Audit committee	209,518	174,106
Government grant expenditure	4,776,406	60,635,030
Repairs and maintenance	47,387,090	30,460,293
Other expenses	20,553,273	40,286,231
	<b>217,262,494</b>	<b>253,396,391</b>

Government grant expenditure represents sanitation projects funded by the Municipal Infrastructure Grant (MIG) which are not capitalized and is not reflected as PPE in the fixed asset register.

Assets expensed relates to expenditure incurred against the capital budget however these items are not of a capital nature and have therefore not being capitalised and are not included in PPE in the fixed asset register.

Printing and stationery includes the amount of R1,131,262 paid to Inside Data for the printing of consumer debtors statements.

Maintenance and repairs R30,460,293 (2015/2016) and R47,387,090 (2016/2017) is now disclosed under note 4 "PPE" - Grap 1 - Presentation of financial statements.

Consulting and professional fees which are included in general expenditure relates to the following.

### Consulting and professional fees

Legal fees	1,829,631	17,985,250
Professional fees	6,479,349	6,817,388
Asset verification	4,356,401	2,216,500
VAT audit	3,691,373	1,704,867
	<b>16,356,754</b>	<b>28,724,005</b>

### 35. Auditors' remuneration

Fees	2,494,036	2,763,225
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# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>36. Lease rentals on operating leases</b>		
<b>Agreement of leases - Lessor</b>		
Dedekind Real Estate - Rental of parking space in Ladysmith	269,280	-
Itabiro Investments CC - Rental of parking space in Ladysmith	-	99,000
Beaukes JC - Rental of satellite office in Colenso	-	3,150
Sarjoo VR - Rental of satellite office in Weenen	39,881	25,897
Enambithi Construction - Rental of main office at 33 Forbes Street Ladysmith	9,131,355	-
Moon Magic Investments - Rental of satellite office in Estcourt	53,361	53,361
October Morn Investment CC - Rental of parking space in Ladysmith	-	297,000
A Good - Rental of satellite office in Colenso	24,030	19,800
Konika Minolta - Rental of office machines (photo copiers)	360,183	242,367
Richmond and Associates	22,000	-
	<b>9,900,090</b>	<b>740,575</b>

The lease agreement with Enambithi Construction CC was for the office space at 33 Forbes Street / 36 Lyell Street and was for the period 1 July 2016 to 31 December 2016.

A sale agreement for the purchase of the building at 33 Forbes Street / 36 Lyell Street was signed between Enambithi Construction CC and the municipality on the 30th of June 2015.

The lease agreement with Itabiro Investments CC was for a parking area for Council vehicles at 24/28 Murchison Street Ladysmith and was for the period 1 November 2014 to 31 January 2015. Thereafter on a month to month basis and was terminated at the end of September 2015.

The lease agreement with Beukes JC was for the satellite office at 63/69 Sir George Street Colenso and was for the period 1 September 2013 to 31 August 2015.

The lease agreement with Sarjoo VR is for the satellite office at Retief Street in Weenen which commenced in January 2005 on a month to month basis and was terminated in September 2015. A new contract was entered into for the period October 2015 to September 2018.

The lease agreement with Rashid Suleman Trust was for the satellite office at 127 Albert Street Estcourt and was for the period 1 December 2014 to 1 January 2015. Rashid Suleman Trust is now known as Moon Magic Investments (Pty) Ltd and the lease agreement was for the period 1 February 2015 to 31 January 2016 and was renewed for the period 1 February 2016 to 31 January 2017.

The lease agreement with October Morn Investments CC is on a month to month basis and is for parking space at 24/28 Murchison Street which commenced on the 1st of October 2015.

The lease agreement with A Good is in respect of the satellite office at 63/69 Sir George Street in Colenso for the period 1 September 2015 to 31 August 2018.

The lease agreement with Dedekind Real Estate is for parking space which is on a month to month basis.

Additional office equipment (photo copiers) is leased from Konika Minolta for a period of 36 months which started in December 2015 and terminates in November 2018.

### Operating lease liabilities

Rental offices	15,955	378,853
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# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>37. Cash generated from operating activities</b>		
Surplus	66,778,084	64,125,286
<b>Adjustments for:</b>		
Depreciation and amortisation	62,535,117	49,197,065
Loss on sale of assets	5,204,839	1,231,708
(Loss) gain on actuarial valuations	(2,363,782)	12,280,604
Impairment deficit	10,807,571	-
Debt impairment	94,881,113	57,975,475
Movements in operating lease assets and accruals	(244,590)	(255,271)
Changes accumulated surplus	1,809,067	13,924,192
<b>Changes in working capital:</b>		
Inventories	(378,995)	(329,935)
Increase/(decrease) receivables from exchange transactions	(124,919)	(226,423)
Increase/(decrease) receivables from exchange transactions	(107,053,374)	(77,122,560)
Other receivables from non-exchange transactions	(676,943)	(197,701)
Increase/ (decrease) prepayments	139,624	416,388
Increase/(decrease) in payables from exchange transactions	(11,782,097)	(51,765,015)
Increase/ (decrease) in other accruals	546,466	3,603,360
Increase unspent conditional grants and receipts	53,555,522	9,156,703
Contribution to provisions - non-current	1,695,748	-
Other financial liabilities	33,409,868	(21,115,030)
	<b>208,738,319</b>	<b>60,898,846</b>

### 38. Disposal of: a significant asset(s) /or a group of assets and liabilities /or a component of the entity

Management has taken a decision to dispose of a significant group of assets as reflected in Appendix B "analysis of property, plant and equipment".

#### Description of the asset(s), group of assets and liabilities or, component

The following disposals have been identified R4.200,215 (2015/2016).

#### Carrying values

Carrying value of a group of assets (vehicles)	-	3,296,402
Carrying value of a group of assets (Computer Equipment)	-	428,871
Carrying value of a group of assets (Furniture and fittings)	-	120,411
Carrying value of a group of assets (Office equipment)	-	299,531
Carrying value of a group of assets (Computer Software)	-	55,000

#### Further approvals required

Council approval has been obtained in respect of the write off of the above.

A public auction was held on Thursday, January 26, 2017 in respect of the prior year write offs and the proceeds from the sale of the assets amounted to R776,759 which is included in other revenue in the statement of financial performance.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>39. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	709,733,507	268,189,981
<b>Municipal Infrastructure Grant (MIG)</b>		
Driefontein professional fees	26,360,403	2,999,564
Driefontein eastern bulk	10,028,498	-
Bhekuzulu phase 3	15,190,398	-
Bhekuzulu phase 6	16,095,199	-
Bhekuzulu phase 7	33,231,695	28,405,995
Bhekuzulu phase 8	42,508,149	31,610,916
Bhekuzulu consultants	33,726,587	-
Kwanobamba / Ezitendeni consultants	-	10,437,015
Kwanobamba / Ezitendeni 1A	39,304,763	-
Kwanobamba / Ezitendeni 1B	37,250,000	2,396,234
Kwanobamba / ezitendeni 1C	8,991,357	-
Lwanobamba / Ezitendeni 1E	22,053,007	-
Kwanobamba / Ezitendeni 2A	28,746,701	18,385,004
Kwanobamba / Ezitendeni 2C	10,960,555	10,622,179
Kwanobamba / Ezitendeni water supply	29,888,397	23,430,127
Ntabamhlophe water scheme phase 4	9,138,378	-
Ntabamhlophe water scheme phase 8	23,580,421	-
Ntabamhlophe water scheme phase 13	29,537,802	12,189,761
Ntabamhlophe consultants	16,067,436	670,367
Bergvillephase 1	-	454,185
Bergville sewer	14,098,364	84,584
Ezakheni treatment plant	10,409,226	1,136,714
Ezakheni / Ennambithi refurbishment	4,454,217	4,214,311
Ezakheni water reticulation consultants	11,316,958	608,677
Ezakheni water reticulation	7,330,652	4,092,149
Ezakheni E sanitation	8,168,180	689,326
Umhlumayo projects	-	20,666,532
District disaster centre	15,905,515	4,159,533
Archie Rodel Colenso	18,820,125	2,642,866
Rural road asset management	7,800,000	3,809,099
Jononskop community water supply scheme	4,336,822	-
Kethani refurbishment & upgrade of WWTW	-	1,351
Spioenkop to Ladysmith pipeline	3,528,639	1,760,217
Hopsland to indaka	51,653,163	-
Moyeni / Zwelisha	5,002,587	2,691,127
Mimosadale	14,105,052	14,271,734
Winterton water treatment	-	3,924,798
Boreholes drought relief	9,271,561	5,850,729
Lombardskop bulk water feeder	73,097,806	46,727,922
Whembezi bulk water	-	8,818,893
Mayibuye consultants	17,774,894	438,072
	<b>709,733,507</b>	<b>268,189,981</b>
<b>Not yet contracted for and authorised by accounting officer</b>		
• Creditors orders issued at year end (PPE)	144,566	7,695
<b>Total capital commitments</b>		
Already contracted for but not provided for	709,733,507	268,189,981
Not yet contracted for and authorised by accounting officer	144,566	7,695
	<b>709,878,073</b>	<b>268,197,676</b>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>39. Commitments (continued)</b>		
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Rental offices	53,710	454,103
• Rental office machines	23,971	100,099
• Inkazimulo - professional fees	3,500,000	3,000,000
• Red Spike - security guarding of municipal property	9,480,000	14,245,554
• Bonakude Consulting - asset verification	3,000,000	2,200,000
	<b>16,057,681</b>	<b>19,999,756</b>
<b>Not yet contracted for and authorised by accounting officer</b>		
• Creditors orders issued at year end	3,112,832	6,080,638
<b>Total operational commitments</b>		
Already contracted for but not provided for	16,057,681	19,999,756
Not yet contracted for and authorised by accounting officer	3,112,832	6,080,638
	<b>19,170,513</b>	<b>26,080,394</b>
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	709,878,073	268,197,676
Authorised operational expenditure	19,170,513	26,080,394
	<b>729,048,586</b>	<b>294,278,070</b>

This committed expenditure relates to plant and equipment as well as operational expenditure and will be financed by grant funding, retained surpluses, existing cash resources, funds internally generated, etc.

### Operating leases - as lessee (expense)

#### Minimum lease payments due

- within one year	277,100	554,201
- in second to fifth year inclusive	68,815	68,815
	<b>345,915</b>	<b>623,016</b>

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years. No contingent rent is payable.

Parking space for Council vehicles is negotiated on a month to month basis.

Office machines rented from Konica Minolta are negotiated for a term of three years.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>40. Contingent Liabilities</b>		
<b>Contingent liabilities</b>		
Ramkhelewan INC - D. Kistado	15,240	15,240
Ramkhelewan INC - A.M.J. Hlongwane	174,261	174,261
Ramkhelewan INC - Aurocon	378,607	378,607
Ramkhelewan INC - J. Potgieter	4,534	4,534
Ramkhelewan INC - Jeffares & Green	576,484	576,484
Ramkhelewan INC - Nambithi Pumps	5,795,972	5,795,972
Ramkhelewan INC - Andile Thwala	100,000	100,000
Shepstone & Wylie - Abajabuli Project Services CC	15,190,398	15,190,398
Shepstone & Wylie - S. Sewepersad	3,000,000	3,000,000
Shepstone & Wylie - Ubunzima Trading Enterprise CC	1,758,304	1,758,304
Shepstone & Wylie - Seema Devi Singh	450,000	450,000
Shepstone & Wylie - Lucia Sibongile Ndlovu	450,000	450,000
Shepstone & Wylie - Water and Sanitation Services SA (WSSA)	-	7,447,593
Shepstone & Wylie - Rasp Consultants CC	65,857	65,857
Shepstone & Wylie - Rasp Consultants CC	63,400	63,400
Shepstone & Wylie - T.T. Keswa	1,853,170	-
	<b>29,876,227</b>	<b>35,470,650</b>

The above contingent liabilities are being attended to by the Municipalities legal representatives.

Details are as follows;

**D. Kistado - Collision on motorcycle with surveyors peg** - Claim amount R15,240 - the matter was set down for trial and postponed. There is a very good prospect of succeeding with the defence and Council's legal representative believe that the plaintiffs claim should have been against the Alfred Duma Local Municipality and not Uthukela.

**A.M. J. Hlongwane - Eradication of bucket latrines in Ekuvukeni "Contract 19/2005"** - Claim amount R174,261 - the matter has been defended in the High Court and is awaiting for the plaintiff to take the next step. The prospect of success herein is good and Council's legal representative suggests that they continue defending the matter.

**Aurocon - Consultants fees not paid** - Claim amount R378,607 - the matter has been defended and must proceed. Prospects of success are good considering previous consultations the Municipality's legal representatives had with S. Mthethwa and B.H. Khoza. For now the matter is pending as the plaintiff is negotiating settlement with the Municipality directly.

**J. Potgieter - burst pipe causing damages to wall and paving** - Claim amount R4,534 - the matter has been defended and Council's legal representative is awaiting trial date. The plaintiff's claim is against the Municipality for damages to a wall and paving when a burst water pipe was repaired. Prospect of success are good.

**Jeffares and Green - Consultant fees in respect of Bergville water project** - Claim amount R576,484 - the matter was set down for trial but removed from the roll as the plaintiff intends amending its papers. The Municipality's legal representative will inform the Municipality once a new trial date has been set.

**Nambithi Pumps - breach of contract** - The claim amount increased from R2,795,972 to R5,795,972 - this is in respect of the cost of the contract and the loss of profit. The plaintiff issued summons based on a breach of contract. The matter is being defended and will proceed to trial.

**IPTCO - Rates levied** - No claim amount as the plaintiff brought an application to reassess rates amount levied by the Municipality on the farm. The matter is current and proceeding to trial. Thusfar there has been no movement by the plaintiff and the attorneys are suggesting that the matter lie until the plaintiff makes the next move.

**Andile Thwala - injuries suffered by child** - Claim amount R100,000 - the claim arises from injuries suffered by her child by falling into an exposed manhole. The matter is being defended and the Municipality's insurers has contacted the Municipality's legal representative in this regards.



# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

2017

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### 40. Contingent Liabilities (continued)

**Abajabuli Project Services CC** - Thuk3974.3 - Claim amount R15,190,398 - this is a claim brought against the Municipality for breach of contract. Judgement in favour of the Municipality was delivered by the Court on the 20th of February 2017, but the plaintiff applied for and was granted an application to appeal against such judgement. The attorneys are awaiting delivery of the plaintiffs appeal in the matter.

**A. Sewepersad** - Thuk3974.5 - Claim amount R3,000,000 - In this matter a notice was sent to the Municipality in terms of Section 2 of Act 40 of 2002 by Viren Naidoo & Associates advising of their client's claim ( A. Sewepersad) against the Municipality for the sum of R3,000 000 arising from the death of his wife and injuries to himself which were allegedly caused when the vehicle they were travelling in plunged into a deep trench which was alledgedly dug by the Municipality's employees and was not cordoned off. The Municipality has referred this to it's insurers who are in the process of investigating the matter.

**Ubunzima Trading Enterprise CC** - Thuk3974.14 - Claim amount R1,758,304 - summons was issued against the Municipality in respect of retention moneys which were not paid over to the plaintiff on completion of certain works as follow; claim no1 - R1,039,355 for laying of pipes in Inkanyezi community water supply scheme, claim no 2 - R604,395 for laying of pipes in the Bergville bulk water scheme, claim no 3 - R114,554 for the refurbishment and upgrade of the waste water treatment works at Khethani. The pleading in this matter has closed and preparations for trial will commence shortly.

**Seema Devi Singh** - Thuk3974.16 - Claim amount R450,000 - the claim is in respect of salary and benefit dispute where the plaintiff alleges that the incorrect salary scale was applied by the Municipality during the plaintiffs period of employment. The matter has been defended on behalf of the Municipality and the plaintiff has filed a notice to ammend its particulars of claim to the summons to which Shepstone & Wylie has objected. Nothing futher has been done by the plaitiff to pursue to finality her alleged claim against the Municipality. In the circumstances, Shepstone & Wylie proceeded to set down for hearing the Municipality's application for the dismissal of the plaintiff's claim against the Municipality on the basis that her particulars of claim are excipiable. The application was set down for hearing on the 12th of July 2017 at the Pietermaritzburg High Court, but was adjourned by consent at the request of the plaintiff's attorneys, with the plaintiff to pay the cost occasioned by the ajournment.

**Lucia Sibongile Ndlovu** - Thuk3974.17 - Claim amount R450, 000 - the claim is in respect of salary and benefit dispute where the plaintiff alleges that the incorrect salary scale was applied by the Municipality during the plaintiffs period of employment. The matter has been defended on behalf of the Municipality and the plaintiff has filed a notice to ammend its particulars of claim to the summons to which Shepstone & Wylie has objected. Nothing further has been done by the plaintiff to pursue to finality her alledged claim against the Municipality. In the circumstance, Shepstone & Wylie proceeded to set down for hearing the Municipality's application for the dismissal of the plaintiff's claim against the Municipality on the basis that her particulars of claim are excipiable. The application was set down for hearing on the 12th of July 2017 at the Pietermaritzburg High Court, but was adjourned by consent at the request of the plaintiff's attorneys, with the plaintiff to pay the cost occasioned by the adjournment.

**Water and Sanitation Services South Africa (WSSA)** - Thuk3974.20 - In this application, the relief sought byRasp Consultants was an order directing the Municipality to reconstitute a Bid Evaluation Committee (BEC) to re-evaluate the technical specifications of tender no. 131/2014 and, thereafter, to re-advertise the relevant tender.

During August 2016, Shepstone & Wylie were instructed that the Municipality has decided to withdraw the relevant tender and, instead, to have the relevant services performed internally. Shepstone & Wylie wrote to the applicant's attorneys advising them accordingly, and suggested that the matter be settled on the basis that their client withdraws its application against the Municipality, with each party to pay its own costs.

Shepstone & Wylie were advised by the applicant's attorney that they would revert back once they have obtained their client's instructions in response to the aforesaid proposal. However, they did not revert back with their client's instructions and, after sending them numerous reminders to that effect, Shepstone & Wylie wrote to them advising them that in the absence of their clients resonance, they assumed that the matter has been settled on the basis of the suggestion. To date Shepstone & Wylie have not received any response, and will now proceed to close the file and render their final account on that basis.

**RASP Consultants CC t/a Vivah Technologies** - Thuk3974.13 - Claim amount R65,857 - Justin Heunis & Co, acting on behalf of the plaintiff has issued summons on the 18th of June 2015 against the Municipality for an outstanding balance of R65,857 due, owing and payable for goods sold, delivered and services rendered. The Municipality is represented by Shepstone & Wylie. The matter has been defended and the pleadings have reached the discovery stage.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

2017

2016

### 40. Contingent Liabilities (continued)

**RASP Consultants CC t/a Vivah Technologies** - Thuk3974.15 - Claim amount R63,400 - Justin Heunis & Co, acting on behalf of the plaintiff has issued summons on the 18th of June 2015 against the Municipality for an outstanding balance of R63,400 due, owing and payable for goods sold, delivered and services rendered. The Municipality is represented by Shepstone & Wylie. The matter has been defended and the pleadings have reached the discovery stage.

Vivah Technologies had lodged an urgent application for an order interdicting the municipality from awarding contract No.131/2014 to Water and Sanitation Services South Africa (WSSA) based on the allegation that WSSA's bid ought to have been disqualified for a number of reasons.

During August 2016, Shepstone & Wylie were instructed by the Municipality that the matter had been settled amicably amongst the parties. They then wrote back to the applicant's attorneys requesting their confirmation to that effect, but their response was that their client was still intent on pursuing its application against the Municipality.. To date, no further steps have been taken by the applicant's attorneys to pursue their client's application to finality.

In the circumstances, Shepstone & Wylie were instructed by the Municipality to set the matter down for hearing on the opposed motion roll for the purpose of seeking an order dismissing the applicant's application against the Municipality with costs. The date allocated for the hearing of such application is 30 August 2017, and Shepstone & Wylie have already briefed Adv. Finnigan to appear and argue the application on behalf of the Municipality on that date.

**T.R. Keswa** - This is a matter in which the Municipality's erstwhile attorneys in a labour related matter had submitted to the Municipality their bill of costs for the sum of R1,853,170 in respect of the legal services they rendered in the matter. The municipality thought the amount claimed in the bill of costs was rather excessive, and instructed Shepstone & Wylie to submit the bill of costs to the Law Society for taxation. However the Municipality subsequently instructed to hold the matter in abeyance as an attempt was being made by the parties to settle the matter amicably. Further instructions is awaited from the Municipality

### Contingent assets

#### Contingent assets

Namandla Roads and Civils

7,770,981

-

**Namandla Roads And Civils** - This is a matter in which the Municipality has instructed Shepstone & Wylie to lodge an application against Mutual and Federal Risk Finance Limited (MFRFL) to claim the sum of R7,770,981 in respect of a performance guarantee issued by MFRFL in terms of which it bounds itself in favour of the Municipality for the performance of Namandla Roads and Civils in the latter's Contract with the Municipality. This follows the default of Namandla in its performance in the relevant contract. The matter is not likely to proceed to trial as MFRFL has already indicated, in principle, its intention to settle the matter by making payment of the guarantee amount to the Municipality.

### 41. Related parties

Post employment benefit plan for employees of entity and/or other related parties

Post employment benefit plan for employees of a related party of a close Keyhealth family member of key management

Bonitas

### Key management information

Board members	Executive Committee	6
Senior Management	Municipal Manager - Accounting officer	1
Senior Management	Chief Financial Officer	1
Senior Management	General Manager Corporate Services	1
Senior management	General Manager Technical and Infrastructure Services	1
Senior Management	General Manager Municipal Health & Water Services Authority	1
Senior Management	General Manager Social & Economic Services	1

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>42. Prior period errors and restatements</b>		
Prior period errors relates to corrections done in the 2016/2017 financial year which relates to the 2015/2016 financial year.		
Restatements relates to expenditure which has been moved from one expenditure line item to another to restate the disclosures in the statement of financial position and the statement of financial performance for the 2015/2016 financial year.		
The correction of the error(s) results in adjustments as follows:		
<b>Statement of financial position</b>		
Payables from exchange transactions	(10,288,656)	(7,379,656)
<b>Statement of financial performance</b>		
Employee related costs	(662,418)	(9,362)
Lease rental on operating leases	(19,800)	-
Repairs and maintenance	(1,637,905)	(2,119,494)
Bulk purchases	(6,185)	(6,185)
Contracted services	(3,340,660)	(3,593,209)
General expenditure	(4,621,688)	(1,651,406)

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

		2017	2016		
<b>43. Prior period error and restatements - detailed</b>					
Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:					
<b>Statement of financial position</b>					
<b>2016</b>					
	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories	9	5,546,962	-	-	5,546,962
Receivables from exchange transactions	10	4,398,513	-	-	4,398,513
Receivables from non exchange transactions	11	6,024,781	-	-	6,024,781
Prepayments	8	139,624	-	-	139,624
Consumer debtors	12	143,673,170	-	-	143,673,170
Cash and cash equivalents	13	36,715,409	-	-	36,715,409
Property plant and equipment	4	1,913,594,549	223,433,140	-	2,137,027,689
Intangible assets	5	653,374	-	-	653,374
Operating lease liability	6&36	(378,853)	-	-	(378,853)
Payables from exchange transactions	19	(104,239,183)	(10,288,655)	-	(114,527,838)
Other accruals	20	(42,685,813)	-	24,290,675	(18,395,138)
Consumer deposits	21	(11,885,907)	-	-	(11,885,907)
Employee benefit obligation	7	(878,943)	-	-	(878,943)
Unspent conditional grants	15	(467,541)	-	(15,688,191)	(16,155,732)
VAT payable	17	(29,333,940)	(1,317,400)	-	(30,651,340)
Other liabilities	51	-	-	(8,602,484)	(8,602,484)
Purchase of office building	18	(6,210,601)	-	-	(6,210,601)
Employee benefit obligation	7	(26,438,620)	-	-	(26,438,620)
		<b>1,888,226,981</b>	<b>211,827,085</b>	<b>-</b>	<b>2,100,054,066</b>

Advance payments to the amount of R24,290,675 was received from National Departments during the 2015/2016 financial year as at year end, 30 June 2016, it has not been confirmed if the funding was in respect of Drought relief. During the 2016/2017 financial year it was established that R15,686,192 was in respect of the Regional Bulk Infrastructure Grant.

The R15,686,192 was transferred to the unspent liability in respect of the RBIG grant and unspent grants as at 30 June 2016 has been restated,

The Municipality has been unable to establish the source of the remaining R8,602,484 and it remains a liability as at 30 June 2017 until such time as the funder can be identified.

Payables from exchange transactions increased from R104, 239, 183 to R114,527,839 due to the prior period errors of R10, 288, 656 as at 30 June 2016 and the statement of financial position has been restated.

Oma Chartered Accountants identified input tax (R1,317,400) which were not claimed during the 2011/2012 and 2012/2013 financial years and adjusted the May 2017 VAT return accordingly. A prior period correction has been affected and VAT payable on the statement of financial position has increased from R29,333,940 to R30,651,340 as at 30 June 2016.

Funding received during the 2015/2016 financial year has been identified as RBIG (Regional Bulk Infrastructure) transfers. This was disclosed as advance receipts/transfers and has been reclassified in the statement of financial position. Other accrual has been reduced by R15,688,191 and unspent grants has increased.

During the asset verification process in the 2016/2017 financial year assets to the amount of R223,433,140 were identified which were not capitalized in the 2015/2016 financial year. PPE has therefore been restated as at 30 June 2016.

Total net assets therefore increased from R1,888,226,981 to R2,100,054,066 as at 30 June 2016.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

2017

2016

### 43. Prior period error and restatements - detailed (continued)

#### Statement of financial performance

#### 2016

	Note	As previously reported	Correction of error	Restated
Revenue from service charges	23	153,121,673	-	153,121,673
Interest received - trading service	22	20,214,647	-	20,214,647
Other income	22	3,566,813	-	3,566,813
Interest received - investments	22	11,991,453	-	11,991,453
Government grants and subsidies	22&26	568,331,256	-	568,331,256
Employee related costs	27	(198,647,227)	(662,418)	(199,309,645)
Remuneration of councillors	28	(6,381,097)	-	(6,381,097)
Depreciation and amortization	29	(49,197,065)	-	(49,197,065)
Finance costs	30	(1,125,317)	-	(1,125,317)
Lease rentals on operating leases	36	(720,775)	(19,800)	(740,575)
Debt impairment provision	31	(57,975,475)	-	(57,975,475)
Bad debt written off	47	(34,811,417)	-	(34,811,417)
Repairs and maintenance	4	(28,822,389)	(1,637,905)	(30,460,294)
Bulk purchases	32	(7,691,918)	(6,185)	(7,698,103)
Contracted services	33	(65,268,424)	(3,340,660)	(68,609,084)
General Expenditure	34	(218,314,409)	(4,621,688)	(222,936,097)
Gain (loss) on write off of assets	7	(1,231,708)	-	(1,231,708)
Inventories losses/write-downs		(344,075)	-	(344,075)
Gain (loss) on actuarial valuations	7	(12,280,604)	-	(12,280,604)
<b>Surplus for the year</b>		<b>74,413,942</b>	<b>(10,288,656)</b>	<b>64,125,286</b>

#### Statement to changes in nett assets

	As previously reported	Correction of error	Re-classification	Restated
	1,888,226,981	211,827,085	-	2,100,054,066
Subtotal	1,888,226,981	211,827,085	-	2,100,054,066
	<b>1,888,226,981</b>	<b>211,827,085</b>	<b>-</b>	<b>2,100,054,066</b>

Employee related costs increased with R662,418 from R198,647,227 to R199,309,646 as at 30 June 2016.

Lease rentals on operating leases increased with R19,800 from R720,775 to R740,575 as at 30 June 2016.

Repairs and maintenance increased with R1,637,905 from R28,822,389 to R30,460,294 as at 30 June 2016, however in terms of GRAP 17 maintenance and repairs must be disclosed by nature of expense under PPE. Refer to note 4 (PPE) for the detailed disclosure of maintenance and repairs).

Bulk purchases increased with R6,185 from R7,691,917 to R7,698,102 as at 30 June 2016.

Contracted services increased with R3,340,660 from R65,268,423 to R68,609,083 as at 30 June 2016.

General expenditure increased with R4,621,688 from R218,314,409 to R 222,936, as at 30 June 2016.

In terms of GRAP 1 and GRAP 3 operational grant expenditure has to be disclosed by nature of expense and therefore there is no line item in the statement of financial performance for the disclosure of grant expenditure.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

		2017	2016	
<b>43. Prior period error and restatements - detailed (continued)</b>				
<b>Cash flow statement</b>				
<b>2016</b>				
	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Service charges		(77,122,560)	-	168,422,790
Grants		561,799,768	6,531,488	568,331,256
Interest income		32,206,100	(20,214,647)	11,991,453
Other receipts		215,471,545	30,073,805	-
Employee and Councillor costs		(217,308,929)	11,618,186	(205,690,743)
Suppliers and other		(444,602,070)	(27,826,039)	(472,428,109)
Finance costs	30	(1,125,317)	-	(1,125,317)
		<b>69,318,537</b>	<b>182,793</b>	<b>69,501,330</b>
Cash flow from investing activities				
Purchase of property, plant, and equipment	4	(178,260,347)	(182,793)	(178,443,140)
Purchase of other intangible assets	5	(543,600)	-	(543,600)
Proceeds from sale of other intangible assets	5	(43,543)	-	(43,543)
		<b>(178,847,490)</b>	<b>(182,793)</b>	<b>(179,030,283)</b>
Cash flow from financing activities				
Movement in other liabilities		1,412,058	-	1,412,058
Increase / (Decrease) in finance lease liability		(255,271)	-	(255,271)
		<b>1,156,787</b>	<b>-</b>	<b>1,156,787</b>

### Reclassifications

Due to amendments to GRAP1 and GRAP3 - "Presentation of Financial Statements", operational grants have to be disclosed by nature of expense and therefore has been reclassified in the statement of financial performance.

Due to amendments to Grap 17 - "Presentation of Financial Statements", repairs and maintenance has to be disclosed by nature of expense and has therefore been disclosed in note 4 under PPE.

### 44. Risk management

#### Financial risk management

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

2017

2016

### 44. Risk management (continued)

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017	2016
Bank balance and cash	5,997,885	36,715,409
Consumer debtors from exchange transactions	155,845,431	143,360,258
Other receivables from exchange transactions	4,523,432	4,398,513
Receivables from non-exchange transactions	6,701,724	6,024,781

### 45. Going concern

We draw attention to the fact that at June 30, 2017, the municipality had a accumulated surplus of R 2,169,326,327 and that the municipality's total liabilities exceed its assets by R 2,169,326,327.

The unaudited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Management however acknowledges the decrease in cash and cash equivalents from R36,715,409 (2015/2016) to R5,997,885 (2016/2017) is a matter of concern and measures have been put in place to turn around the situation.

It must be noted that the drought and related expenditure had the biggest impact on the Municipality's cash reserves.

The cost of free basic services (supply of water with water tankers) increased From R39,121,572 (2015/2016) to R59,008,490 (2016/2017).

Critical positions which were vacant were filled during the year and the annual salary increases resulted in employee related costs increasing from R199,309,646 (2015/2016) to R218,649,140 (2016/2017).

Contracted services increased from R68,609,084 (2015/2016) to R96,583,748 (2016/2017).

Indigent support to indigent consumers amounted to R10,174,543 for the 2016/2017 financial year.

The impact of the above on the Municipality's cash reserves amounted to R66,778,0848.

Management has developed a revenue enhancement strategy and is implementing the credit control policy in an effort to improve revenue collection.

Management has also implemented MFMA circular 82 "cost containment measures" in an effort to cut down on operational expenditure.

The Water Services department has implemented a strategy to cut down on overtime expenses.

Departments have submitted their procurement plans to the SCM Unit in order to manage cash outflows.

Monthly cash flow projections are being performed and management will re-asses the Municipality's financial position after the first six months of the financial year.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
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### 46. Events after the reporting date

The Ekuvukeni waste water treatment plant was vandalized during July 2017.

The Municipality's insurers has appointed an assessor to establish the financial implications and the extent of the damages caused.

### 47. Bad debt written off

#### Irrecoverable debt written off

Consumer debtors	32,257,350	34,811,417
------------------	------------	------------

Irrecoverable debt in respect of consumer debtors accounts to the amount of R34,811,417 were written off during the 2015/2016 financial year and R32,257,350 were written off during the 2016/2017 financial year.

The debt written off relates to indigent consumers.

### 48. Unauthorised expenditure

Opening balance	205,810,191	89,010,639
Unauthorized expenditure for the current year	166,418,720	116,799,552
	<b>372,228,911</b>	<b>205,810,191</b>

Unauthorized expenditure of R116,799,552 (2015/2015) and R166,418,720 (2016/2017) is the overspending of the total amounts appropriated in the municipality's budget for the financial year.

The total operating budget amounted to R591,557,000 and the actual expenditure to R757,975,720.

### 49. Fruitless and wasteful expenditure

#### Reconcillation of fruitless and wasteful expenditure

Opening balance	120,263	4,683,751
Fruitless and wasteful expenditure for the current year	23,976	120,263
Less: Amounts condoned - Council resolution A97/06/16	-	(4,683,751)
	<b>144,239</b>	<b>120,263</b>
Eskom	22,952	108,183
Emnambithi / Ladysmith Municipality	-	3,788
Umtshezi Municipality	-	2,683
Telkom	1,024	5,609
	<b>23,976</b>	<b>120,263</b>

Council has identified fraudulent transactions on the payroll which took place over the period March 2012 to February 2014.

The internal Audit unit has verified the fraudulent transactions which amounted to R4,592,424 in total.

Initially it was 27 employees whom were identified to be involved in these fraudulent activities. All 27 were dismissed.

The employees in question referred the matter to arbitration. All of these cases, except one, have been finalized on the 18th of July 2016 and are still awaiting for the outcome of the arbitration hearing.

All cases which have been finalized were in favour of the municipality.

From the arbitration hearing two cases have been referred to the Labour Court.

The date of the hearing was set for the 18th of August 2016.



# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
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### 49. Fruitless and wasteful expenditure (continued)

Council is through a litigation process attempting to recover all monies.

The amount of R4,592,424 is not included in the carry over amount of R4,804,014 in respect of fruitless and wasteful expenditure from the 2015/2016 financial year.

During May 2017 the cashier in Estcourt issued receipt to the amount of 25,770 which could not be reconciled with the daily deposits. Upon investigation it was found that not only was the money not deposited by the cashier but her float of R300 was also missing. The cashier absconded and has not returned for duty. The Senior Debtors Clerk made a sworn statement with the SAPS on the 7 th of July 2017 and Management has resolved to initiate criminal action against the cashier.

#### Fraudulent activities

Payroll fraude - March 2012 to February 2014

Cashier shortages (Estcourt office)

4,592,424	4,592,424
26,070	-
<b>4,618,494</b>	<b>4,592,424</b>

### 50. Irregular expenditure

Opening balance  
Plus: Irregular Expenditure - current year  
Less: Irregular expenditure - prior year - identified in the current year  
Less: Amounts condoned

711,657,392	407,634,668
212,459,764	211,395,124
(136,014)	92,627,600
(873,632,744)	-
<b>50,348,398</b>	<b>711,657,392</b>

Management went as far back as possible to identify irregular expenditure incurred for the disclosure in the financial statements.

During the above mentioned reconciliation process adjustments in respect of the 2014/2015 financial year were identified.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
<b>50. Irregular expenditure (continued)</b>		
<b>Analysis of irregular expenditure per classification</b>		
Current year	212,323,750	211,395,124
Prior years	711,657,392	500,262,268
Less: Irregular expenditure condoned	(873,632,744)	-
	<b>50,348,398</b>	<b>711,657,392</b>
<b>Irregular expenditure - corrections in respect of the previous financial year</b>		
Section 114 deviations	-	823,017
Section 36 deviations	-	5,378,941
Section 32 deviations	-	49,404,422
Non compliance with SCM regulations	-	152,187,809
Expired contracts	-	(6,466,741)
Contracts over three years	-	(63,540,798)
Less than three quotations received	(136,014)	(45,159,050)
	<b>(136,014)</b>	<b>92,627,600</b>
<b>Irregular expenditure - in respect of the current financial year</b>		
Section 36 deviations	576,404	3,190,887
Section 32 Deviations	37,198,865	31,829,619
Non Compliance with SCM regulationa	71,369,222	71,478,057
Expired contracts	42,617,660	64,912,861
Contracts over three years	-	37,528,939
Regulation 36 - Drought relief	59,604,926	-
Less than three quotations received	1,092,686	2,454,761
	<b>212,459,763</b>	<b>211,395,124</b>
<b>Irregular expenditure</b>		
Irregular expenditure - corrections in respect of the previous financial year	(136,014)	92,627,600
Irregular expenditure incurred during the current financial year	212,459,764	211,395,124
	<b>212,323,750</b>	<b>304,022,724</b>
<b>Details of irregular expenditure – no disciplinary steps taken/criminal proceedings</b>		
Irregular expenditure incurred 2011/2012 to 2016/2017	Disciplinary steps taken/criminal proceedings No disciplinary steps taken - no criminal proceedings	873,632,744
<b>Details of irregular expenditure condoned</b>		
	Condoned by (condoning authority)	
Irregular expenditure 2011/2012	Council resolution A39/06/17	18,658,192
Irregular expenditure 2012/2013	Council resolution A39/06/17	22,172,037
Irregular expenditure 2013/2014	Council resolution A39/06/17	178,224,432
Irregular expenditure 2014/2015	Council resolution A39/06/17	281,207,607
Irregular expenditure 2015/2016	Council resolution A39/06/17	211,395,124
Irregular expenditure 2016/2017	Council resolution A39/06/17	161,975,352
		<b>873,632,744</b>
<b>51. Other liabilities "Advance receipts - transfers"</b>		
Advance receipts - Transfers	8,602,484	8,602,484

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

## Notes to the Unaudited Annual Financial Statements

	2017	2016
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### 51. Other liabilities "Advance receipts - transfers" (continued)

Advance payments to the amount of R24,290,676 was received from National Departments during the 2015/2016 financial year. As at year end, 30 June 2016, there was uncertainty as to what the transfer relates to and no confirmation could be obtained to confirm if the funding was in respect of Drought Relief.

During the 2016/2017 financial year it was established that R15,686,192 was in respect of the RBIG "Regional Bulk Infrastructure Grant"

The R15,686,192 was transferred to the unspent liability in respect of the RBIG grant and unspent grants as at 30 June 2016 has been restated,

The Municipality has been unable to establish the source of the remaining R8,602,484 and it remains a liability as at 30 June 2017 until such time as the funder can be identified and the monies allocated accordingly.

### 52. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	2,235,340	2,295,780
Amount paid - current year	(2,235,340)	(2,295,780)
	<u>-</u>	<u>-</u>

#### Audit fees

Current year subscription / fee	2,494,036	2,763,225
Amount paid - current year	(2,494,036)	(2,763,225)
	<u>-</u>	<u>-</u>

#### PAYE and UIF

Current year subscription / fee	34,314,889	29,752,647
Amount paid - current year	(34,314,889)	(29,752,647)
	<u>-</u>	<u>-</u>

#### Pension and Medical Aid Deductions

Current year subscription / fee	23,128,900	21,165,162
Amount paid - current year	(23,128,900)	(21,165,162)
	<u>-</u>	<u>-</u>

### 53. Actual operating expenditure versus budgeted operating expenditure

Refer to "Statement of comparison of budget and actual amounts" for the comparison of actual operating expenditure versus budgeted expenditure.

### 54. Water Losses

#### Estimated water losses for the year

Water losses - Quantity in kilolitres	20,896,928	26,369,801
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#### Estimated water losses for the year

Water losses - Cost (rands)	127,653,102	153,475,400
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An independent party, Jeffares & Green Engineering and Environmental Consultants has been approached to verify the production capacities of all the water purification plants.

## Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2017

### Notes to the Unaudited Annual Financial Statements

	2017	2016
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#### 54. Water Losses (continued)

The estimation of water losses was done by comparing the production capacities of the water purification plants, obtained from Jaffares & green, against the water consumption billed to consumers for the financial year. Included in the water losses disclosed are the provision of water in areas where there are standpipes and areas where there are no water infrastructure. Internal and outsourced water tankers are used to transport water to areas where there are no water infrastructure.

The Oliphantskop dam which is the main source of water supply to the previously known Indaka area dried up as a result of the drought. The whole of the Indaka area was therefore supplied with water by means of water tankers.

The table below represents the water losses as a percentage of the production capacities of the water purification plants.

#### Estimated water losses for the year

Water losses recorded for the year as a %

63	79
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## June 2017

### Analysis of property, plant and equipment as at 30 June 2017

### Land and buildings

Land (Separate for AFS purposes)

Buildings (Separate for AFS purposes)

Buildings (Separate to

## Infrastructure

### Water purification

Sewerage purification

## Community Assets

## June 2017

### Analysis of property, plant and equipment as at 30 June 2017

**Heritage assets**  
**Specialised vehicles**

Fire

### Other assets

General vehicles  
Plant & equipment  
Computer Equipment  
Furniture & Fittings  
Office Equipment  
Work in progress  
Laboratory

## June 2017

Opening Balance Rand	Additions  Rand	Disposals  Rand	Transfers  Rand	Revaluations  Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals  Rand	Transfers  Rand	Depreciation  Rand	Impairment loss  Rand	Closing Balance Rand	Carrying value Rand
32,671,479	-	(1,338,028)	-	-	-	31,333,451	(1,464,628)	442,380	-	(943,622)	(84,000)	(2,049,870)	29,283,581
2,236,278,609	-	(6,015,956)	173,920,453	-	-	2,404,183,106	(541,063,700)	3,918,453	-	(52,296,443)	(313,985)	(589,755,675)	1,814,427,431
810,512	-	-	-	-	-	810,512	(743,645)	-	-	-	-	(743,645)	66,867
439,734,171	240,907,001	(3,221,322)	(173,920,453)	-	(12,307,615)	491,191,782	(29,195,109)	1,009,632	-	(9,295,047)	(10,409,583)	(47,890,107)	443,301,675
2,709,494,771	240,907,001	(10,575,306)	-	-	(12,307,615)	2,927,518,851	(572,467,082)	5,370,465	-	(62,535,112)	(10,807,568)	(640,439,297)	2,287,079,554
786,556	-	-	-	-	-	786,556	(133,182)	-	-	(65,409)	-	(198,591)	587,965
786,556	-	-	-	-	-	786,556	(133,182)	-	-	(65,409)	-	(198,591)	587,965
32,671,479	-	(1,338,028)	-	-	-	31,333,451	(1,464,628)	442,380	-	(943,622)	(84,000)	(2,049,870)	29,283,581
2,236,278,609	-	(6,015,956)	173,920,453	-	-	2,404,183,106	(541,063,700)	3,918,453	-	(52,296,443)	(313,985)	(589,755,675)	1,814,427,431
810,512	-	-	-	-	-	810,512	(743,645)	-	-	-	-	(743,645)	66,867
439,734,171	240,907,001	(3,221,322)	(173,920,453)	-	(12,307,615)	491,191,782	(29,195,109)	1,009,632	-	(9,295,047)	(10,409,583)	(47,890,107)	443,301,675
786,556	-	-	-	-	-	786,556	(133,182)	-	-	(65,409)	-	(198,591)	587,965
2,710,281,327	240,907,001	(10,575,306)	-	-	(12,307,615)	2,928,305,407	(572,600,264)	5,370,465	-	(62,600,521)	(10,807,568)	(640,637,888)	2,287,667,519

**Analysis of property, plant and equipment as at 30 June 2016**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	1,037,872	-	-	-	-	-	1,037,872	-	-	-	-	-	-	1,037,872
Buildings (Separate for AFS purposes)	31,932,857	18,750	-	(318,000)	-	-	31,633,607	(495,408)	-	-	(969,220)	-	(1,464,628)	30,168,979
	<b>32,970,729</b>	<b>18,750</b>	<b>-</b>	<b>(318,000)</b>	<b>-</b>	<b>-</b>	<b>32,671,479</b>	<b>(495,408)</b>	<b>-</b>	<b>-</b>	<b>(969,220)</b>	<b>-</b>	<b>(1,464,628)</b>	<b>31,206,851</b>
<b>Infrastructure</b>														
Water purification	1,715,242,349	3,150,220	-	238,310,490	-	-	1,956,703,059	(362,486,326)	-	-	(39,562,077)	-	(402,048,403)	1,554,654,656
Sewerage purification	276,107,857	525,207	-	2,942,486	-	-	279,575,550	(132,507,896)	-	-	(6,507,399)	-	(139,015,295)	140,560,255
	<b>1,991,350,206</b>	<b>3,675,427</b>	<b>-</b>	<b>241,252,976</b>	<b>-</b>	<b>-</b>	<b>2,236,278,609</b>	<b>(494,994,222)</b>	<b>-</b>	<b>-</b>	<b>(46,069,476)</b>	<b>-</b>	<b>(541,063,698)</b>	<b>1,695,214,911</b>
<b>Community Assets</b>														
Fire, safety & emergency	810,512	-	-	-	-	-	810,512	(652,462)	-	-	(91,183)	-	(743,645)	66,867
	<b>810,512</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>810,512</b>	<b>(652,462)</b>	<b>-</b>	<b>-</b>	<b>(91,183)</b>	<b>-</b>	<b>(743,645)</b>	<b>66,867</b>



## June 2017

### Analysis of property, plant and equipment as at 30 June 2016

Heritage assets  
Specialised vehicles  
Other assets

## June 2017

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
32,970,729	18,750	-	(318,000)	-	-	32,671,479	(495,408)	-	-	(969,220)	-	(1,464,628)	31,206,851
1,991,350,206	3,675,427	-	241,252,976	-	-	2,236,278,609	(494,994,222)	-	-	(46,069,476)	-	(541,063,698)	1,695,214,911
810,512	-	-	-	-	-	810,512	(652,462)	-	-	(91,183)	-	(743,645)	66,867
510,065,400	174,748,962	(4,145,215)	(240,934,976)	-	-	439,734,171	(22,027,319)	2,957,922	-	(10,125,714)	-	(29,195,111)	410,539,060
<b>2,535,196,847</b>	<b>178,443,139</b>	<b>(4,145,215)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,709,494,771</b>	<b>(518,169,411)</b>	<b>2,957,922</b>	<b>-</b>	<b>(57,255,593)</b>	<b>-</b>	<b>(572,467,082)</b>	<b>2,137,027,689</b>
297,956	543,600	(55,000)	-	-	-	786,556	(59,755)	11,457	-	(84,884)	-	(133,182)	653,374
<b>297,956</b>	<b>543,600</b>	<b>(55,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>786,556</b>	<b>(59,755)</b>	<b>11,457</b>	<b>-</b>	<b>(84,884)</b>	<b>-</b>	<b>(133,182)</b>	<b>653,374</b>
32,970,729	18,750	-	(318,000)	-	-	32,671,479	(495,408)	-	-	(969,220)	-	(1,464,628)	31,206,851
1,991,350,206	3,675,427	-	241,252,976	-	-	2,236,278,609	(494,994,222)	-	-	(46,069,476)	-	(541,063,698)	1,695,214,911
810,512	-	-	-	-	-	810,512	(652,462)	-	-	(91,183)	-	(743,645)	66,867
510,065,400	174,748,962	(4,145,215)	(240,934,976)	-	-	439,734,171	(22,027,319)	2,957,922	-	(10,125,714)	-	(29,195,111)	410,539,060
297,956	543,600	(55,000)	-	-	-	786,556	(59,755)	11,457	-	(84,884)	-	(133,182)	653,374
<b>2,535,494,803</b>	<b>178,986,739</b>	<b>(4,200,215)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,710,281,327</b>	<b>(518,229,166)</b>	<b>2,969,379</b>	<b>-</b>	<b>(57,340,477)</b>	<b>-</b>	<b>(572,600,264)</b>	<b>2,137,681,063</b>

# Uthukela District Municipality

## Appendix E(1)

June 2017

### Yearly

	Current year 2017 Adjusted budget Rand	Current year 2017 Act. Bal. Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
<b>Revenue</b>					
Service charges	248,652,000	155,820,514	92,831,486	59.6	Budget was not realistic and could not be achieved
Interest received (trading)	38,321,000	38,545,914	(224,914)	(0.6)	
Government grants - operating	339,353,000	347,535,111	(8,182,111)	(2.4)	Operating Grants
Government grants - capital	326,691,000	274,084,673	52,606,327	19.2	RBIG amount of R16,000,000 disallowed due to underspending
Other income	3,395,000	5,228,381	(1,833,381)	(35.1)	More income was received than anticipated
Interest received - investment	7,672,000	7,189,148	482,852	6.7	
Public contributions and donations	-	20,000	(20,000)	(100.0)	This was not budgeted for
	<b>964,084,000</b>	<b>828,423,741</b>	<b>135,660,259</b>	<b>16.4</b>	
<b>Expenses</b>					
Personnel	(224,480,000)	(218,649,140)	(5,830,860)	2.7	Vacant positions which were budgeted for were not filled
Remuneration of councillors	(6,552,000)	(5,482,999)	(1,069,001)	19.5	When the budget was compiled the backpay in respect of Councillors upper limites which is adjusted every year were over estimated
Depreciation	(57,676,000)	(62,535,117)	4,859,117	(7.8)	
Impairments	-	(10,807,571)	10,807,571	(100.0)	Impairment of PPE was not budgeted for
Finance costs	-	(2,554,911)	2,554,911	(100.0)	Budgeted under general expenditure
Debt Impairment	(71,800,000)	(94,881,113)	23,081,113	(24.3)	Debt impairment provision was more than anticipated
Collection costs	-	-	-	-	
Bad debt write off	-	(32,257,350)	32,257,350	(100.0)	This was not budgeted for
Repairs and maintenance - General	(47,974,000)	-	(47,974,000)	-	Repairs and maintenance included in general expenditure disclosed under note 4 "PPE"
Lease rentalson operating leases	-	(9,900,090)	9,900,090	(100.0)	Budgeted under general expenditure
Bulk purchases	(5,901,000)	(8,061,187)	2,160,187	(26.8)	Bulk purchases were not accurately provided for
Contracted Services	(46,775,000)	(95,583,748)	48,808,748	(51.1)	Due to the drought water tankers were used to provide water in areas were communities could not be supplied with water through the reticulation network.
Transfers and Subsidies	(25,000,000)	-	(25,000,000)	-	Grant expenditure now disclosed bay nature of expence under general expenditure
General Expenses	(105,400,000)	(217,262,494)	111,862,494	(51.5)	This was not accuratle budgeted for.
	<b>(591,558,000)</b>	<b>(757,975,720)</b>	<b>166,417,720</b>	<b>(22.0)</b>	
<b>Other revenue and costs</b>					
Gain or loss on disposal of assets and liabilities	-	(5,204,839)	5,204,839	(100.0)	Loss on disposal of assets
Inventories losses/write-downs	-	(828,880)	828,880	(100.0)	This represent inventory losses as at year end
Fair value adjustments on actuarial valuations	-	2,363,782	(2,363,782)	(100.0)	Actuarial valuations were performed at year end and the liability adjusted acourdingly
Gain or loss on disposal of non-current assets held for sale or disposal groups	-	-	-	-	
Discontinued operations	-	-	-	-	
	-	(3,669,937)	3,669,937	(100.0)	
Net surplus/ (deficit) for the year	<b>372,526,000</b>	<b>66,778,084</b>	<b>305,747,916</b>	<b>457.9</b>	